

11569 A
RECORDATION NO. Filed 1425

MAR 10 1980-1 00 PM

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11569 B
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MAR 10 1980-1 00 PM

INTERSTATE COMMERCE COMMISSION

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CS Washington, D. C.

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RECORDATION NO. Filed 1425

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INTERSTATE COMMERCE COMMISSION

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I. C. C.
FEE OPERATION BR.

RECORDATION NO. 11569
MAR 10 1980-1 00 PM

INTERSTATE COMMERCE COMMISSION

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CRAVATH, LONDON E. C. 2

March 7, 1980

Canadian National Railway Company
Lease Financing Dated as of October 1, 1979
9.95% Conditional Sale Indebtedness
Due 2000
[CS&M Ref. 2043-947]

Dear Madam:

Pursuant to 49 U.S.C. § 11303(a), I enclose here-
with on behalf of Canadian National Railway Company for fil-
ing and recordation counterparts of the following documents:

New Member

1. (a) Conditional Sale Agreement dated as of Octo-
ber 1, 1979, among Exchange National Bank of Chicago, as
Vendee, National Steel Car Corporation, Limited, as
Builder, and North American Car Corporation, as Vendor;
and

- A

(b) Agreement and Assignment dated as of October 1,
1979, among National Steel Car Corporation, Limited, as
Builder, North American Car Corporation, and La Salle
National Bank, as Assignee.

- B

2. (a) Lease of Railroad Equipment dated as of
October 1, 1979, between Canadian National Railway Com-
pany, as Lessee, and Exchange National Bank of Chicago,
as Lessor; and

- C next page C'Dunlop A. H. Harrison

(b) Assignment of Lease and Agreement dated as of October 1, 1979, between Exchange National Bank of Chicago, as Vendee, Lessor, and La Salle National Bank, as Vendor.

The names and addresses of the parties to the aforementioned Agreements are as follows:

(1) Agent-Vendor-Assignee:

La Salle National Bank
135 South La Salle Street
Chicago, Illinois 60690

(2) Trustee-Vendee-Lessor:

Exchange National Bank of Chicago
130 South La Salle Street
Chicago, Illinois 60690

(3) Builder:

National Steel Car Corporation, Limited
P. O. Box 450
Hamilton, Ontario L8N 3J4
CANADA

(4) Vendor:

→ North American Car Corporation
222 South Riverside Plaza
Chicago, Illinois 60606

(5) Lessee:

Canadian National Railway Company
935 LaGauchetiere Street West
Montreal, Quebec H3C 3NA
CANADA

Please file and record the documents referred to in this letter and cross-index them under the names of the Agent-Vendor-Assignee, the Trustee-Vendee-Lessor, the Builder, the Vendor and the Lessee.

The equipment covered by the aforementioned docu-

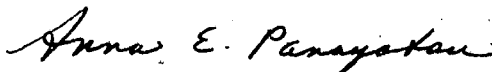
ments consists of:

300 4,550 cu. ft. covered hopper cars bearing identifying numbers CNIS 376000 through CNIS 376299, both inclusive.

There is also enclosed a check for \$100 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document) and the Lease of Railroad Equipment and related Assignment of Lease and Agreement (together constituting one document).

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,



Anna E. Panayotou
As Agent for Canadian
National Railway Company

Interstate Commerce Commission,
Washington, D. C. 20423

Attention of Agatha L. Mergenovich,
Secretary.

Encls.

7N

Interstate Commerce Commission
Washington, D.C. 20423

3/10/80

OFFICE OF THE SECRETARY

**Anna E. Panayotou
Cravath Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005**

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **3/10/80** at **1:00pm**, and assigned re-recording number(s). **11569, 11569-A, 11569-B, 11569-C**

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

RECORDATION NO. **11569** Filed 1425

MAR 10 1980 -1 00 PM

INTERSTATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT

Dated as of October 1, 1979

among

NORTH AMERICAN CAR CORPORATION
(Canadian Railcar Division),

NATIONAL STEEL CAR CORPORATION, LIMITED

and

EXCHANGE NATIONAL BANK OF CHICAGO, not in its
individual capacity but solely as Trustee

9.95% Conditional Sale Indebtedness due 2000

CONDITIONAL SALE AGREEMENT

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* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

CONDITIONAL SALE AGREEMENT dated as of October 1, 1979, among NORTH AMERICAN CAR CORPORATION (Canadian Railcar Division), a Delaware corporation ("Vendor" or "NAC" as more particularly set forth in Article 1 hereof), NATIONAL STEEL CAR CORPORATION, LIMITED, a Canadian corporation ("Builder"), and EXCHANGE NATIONAL BANK OF CHICAGO, not individually but solely in its capacity as Trustee ("Vendee"), under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with SECURITY PACIFIC EQUIPMENT LEASING, INC. ("Beneficiary").

The Builder agrees to construct, sell and deliver to NAC the railroad equipment described in Annex B hereto ("Equipment") and NAC agrees to purchase the Equipment from the Builder and conditionally sell the Equipment to the Vendee.

The Vendee is entering into a Lease of Railroad Equipment dated as of the date hereof with CANADIAN NATIONAL RAILWAY COMPANY ("Lessee") in substantially the form annexed hereto as Annex C ("Lease"), pursuant to which the Lessee will lease from the Vendee all the units of Equipment so purchased from NAC, or such lesser number of units as are delivered and accepted by the Vendee hereunder.

LA SALLE NATIONAL BANK ("Assignee" or "Vendor") is acting as agent for certain investors ("Investors") pursuant to the Participation Agreement dated as of the date hereof ("Participation Agreement"), among the Assignee, the Lessee, the Vendee and the Investors.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Vendee Purchase Price (as hereinafter defined) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Vendee Purchase Price shall be paid to NAC by

the Assignee pursuant to an Agreement and Assignment dated as of the date hereof among NAC, the Builder and the Assignee, as agent ("Assignment"). The parties hereto further contemplate that NAC shall pay to the Builder the NAC Purchase Price (as hereinafter defined) pursuant to the terms of Article 4 hereof.

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, NAC, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment. The term "Builder", whenever used in this Agreement, means, both before and after any such assignment, the party hereto which has manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, certain of the rights, title, and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement dated as of the date hereof in the form of Annex D hereto ("Lease Assignment"), and the Lessee shall consent thereto pursuant to the Consent and Agreement in the form attached to Annex D ("Consent").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct at its plant the Equipment described in Annex B hereto, and will sell and deliver to NAC, NAC will purchase from the Builder and accept delivery of and pay for (as hereinafter provided) and sell and deliver to the Vendee, and the Vendee will purchase from NAC and accept delivery of and pay for, the Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing between the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called "Specifications"). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all United States Department of Transportation and Interstate

Commerce Commission and Canadian Transport Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as then being applicable to each such unit of Equipment, and each such unit will be new railroad equipment.

ARTICLE 3. Inspection and Delivery. The Builder will deliver to NAC, and NAC will deliver to the Vendee, the units of the Equipment at the place or places specified in Annex B hereto (or if Annex B does not specify a place or places, at the place or places designated from time to time by the Vendee), freight and storage charges, if any, prepaid and included in the NAC Purchase Price (as hereinafter defined), in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that no delivery of any unit of the Equipment to NAC or to the Vendee shall be made until this Agreement and the Lease have been filed pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith thereafter given in The Canada Gazette pursuant to Section 86 of the Railway Act of Canada); and provided, further, that the Builder and NAC shall not be obligated to deliver any unit of Equipment hereunder subsequent to the commencement of any proceedings specified in clause (c) or (d) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default. The Builder and NAC agree not to deliver any unit of Equipment hereunder (i) following receipt of written notice from the Vendee or the Assignee of the commencement of any such proceedings or the occurrence of any such event, as aforesaid and (ii) unless the Builder and NAC shall have been notified by the Assignee that the conditions contained in Paragraph 7 of the Participation Agreement have been met and the Builder and NAC shall have been notified by the Vendee that the conditions contained in Paragraph 8 of the Participation Agreement have been met or waived. Notwithstanding anything to the contrary in this Article 3, the Builder and NAC agree not to deliver any units unless, in advance of such delivery, they have received notification from the Agent that funds have been deposited by the Investors pursuant to the Participation Agreement and are then held by the Agent in an aggregate amount not less than 64% of the Purchase Price of the units which the Builder and NAC intend to deliver or have previously delivered but which have not been settled for hereunder. The parties hereto further agree that although all the Equipment need not be delivered by the Builder on the same date, any unit delivered by the Builder and NAC will be accepted simultaneously by the Vendee and NAC.

Any Equipment not delivered at the time of receipt by the Builder or NAC of the notice specified in the second sentence of the first paragraph of this Article 3 and any Equipment not delivered and accepted hereunder on or prior to December 30, 1980, shall be excluded from this Agreement, and NAC and the Vendee shall be relieved of their respective obligations hereunder to purchase and pay for such Equipment. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the parties hereto shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. Any Equipment so excluded or excluded pursuant to Article 4 hereof shall be purchased by NAC from the Builder pursuant to the terms of the purchase order from NAC to the Builder relating to the Equipment ("Purchase Order").

The respective obligations of the Builder and NAC as to the time of delivery set forth in Annex B is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors. NAC's obligation hereunder to deliver the Equipment to the Owner Trustee is subject to the delivery of such Equipment by the Builder to NAC.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of NAC and the Vendee (who may be employees of the Lessee), and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect the materials used in the construction of the Equipment in accordance with the standard quality control practices of the Builder. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector for NAC and the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector shall execute and deliver to the Builder a certificate of acceptance (the "Certificate of Acceptance"), stating that such unit or units have been inspected and accepted on behalf of NAC and the

Vendee and are marked in accordance with Article 9 hereof; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof. NAC and the Vendee hereby appoint the Lessee (and any employee thereof designated by the Lessee) their agent for inspection and acceptance of the Equipment pursuant to this Article 3.

On delivery to and acceptance by NAC and the Vendee of each such unit hereunder at the place specified for delivery, the Builder and NAC shall have no further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that delivery to and acceptance by either NAC or the Vendee shall not thereby relieve the Builder of its warranty referred to in Article 13 hereof.

ARTICLE 4. Purchase Price and Payment. The price or prices per unit of the Equipment to be paid by the Vendee to NAC are set forth in Annex B hereto (such price or prices being hereinafter called the "Vendee Purchase Price"). The base price or prices per unit of the Equipment to be paid by NAC to the Builder are as set forth in the Purchase Order. Such base price or prices are subject to such increase or decrease as may be agreed to by the Builder and NAC. The term "NAC Purchase Price" as used herein shall mean the base price or prices as so increased or decreased as set forth in the Builder's invoice or invoices delivered to NAC and, if the NAC Purchase Price is other than the base price or prices set forth in the Purchase Order, the Builder's invoice or invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of NAC (such invoice or invoices being hereinafter called the "Builder's Invoice").

The Equipment shall be settled for in such number of groups of units of the Equipment delivered to and accepted by each of NAC and the Vendee as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a "Group"). The term "Closing Date" with respect to a Group shall mean such date not later than December 30, 1980 (such date being herein called the "Cut-Off Date"), occurring not more than five business days following presentation by NAC to the Vendee of NAC's invoice or invoices (hereinafter called NAC's Invoice) (with copies to the Lessee) and by the

Builder to the Vendee of the Certificate or Certificates of Acceptance for the Equipment and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to NAC, the Vendee and the Assignee at least four business days prior to the Closing Date designated therein. The term "business day" as used herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Chicago, Illinois, are authorized or obligated to remain closed.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby agrees to pay in immediately available funds to the Vendor at such place as the Vendor may designate, the Vendee Purchase Price of the Equipment, as follows:

(a) on the Closing Date with respect to each Group (i) an amount equal to 36% of the aggregate Vendee Purchase Price of such Group plus (ii) the amount, if any, by which (x) 64% of the Vendee Purchase Price of such Group, as set forth in NAC's Invoice therefor (said invoiced prices being herein called the "Invoiced Vendee Purchase Prices"), exceeds (y) the moneys paid by the Agent on such date pursuant to Section 4 of the Assignment from the Investors' funds then on deposit with the Agent; and

(b) in 38 semiannual installments, as hereinafter provided, an amount equal to the aggregate Vendee Purchase Price of such Group, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph.

NAC hereby acknowledges itself to be indebted to the Builder in the amount of, and hereby agrees to pay in full in immediately available funds to the Builder, on or before the Closing Date with respect to each Group, at such place as the Builder may designate, the NAC Purchase Price.

The portion of the Vendee Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (herein called the "CSA Indebtedness") shall be payable in 38 semiannual installments commencing 18 calendar months

after the Repayment Date (as defined in the Participation Agreement) and semiannually thereafter (each such date being hereinafter called a "Payment Date"). The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date in respect of which such CSA Indebtedness was incurred at the rate of 9.95% per annum, payable to the extent accrued on the Repayment Date, the first and second semiannual anniversaries of the Repayment Date and on each Payment Date thereafter. The installments of principal and interest payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto, and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. The Vendee will furnish or cause to be furnished to the Vendor and the Lessee promptly after the Repayment Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of 12 30-day months except that interest payable on the Repayment Date shall be computed on an actual elapsed 365-day year basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof at the rate of 10.95% per annum.

All payments provided for in this Agreement, except payment to the Builder of the NAC Purchase Price, shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Payment of the NAC Purchase Price shall be made in such coin or currency of the Dominion of Canada as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof) subject to but not limiting the effect of Article 21 hereof, the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement or the performance of its obligations hereunder excluding only the obligations set forth in the proviso to the third paragraph of Article 12 hereof and the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 10 or any other provision of the Lease and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include (A) amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease or (B) amounts excluded from the definition of Payments

contained in Paragraph 1 of the Lease Assignment. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, in the event the Vendor shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment or the Vendee's interest in the Lease for the full unpaid Vendee Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Security Interest in the Equipment.

The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Vendee Purchase Price of the Equipment, together with interest and all other payments as herein provided, the security interest of the Vendor in the Equipment shall terminate and the Vendee shall have the absolute right to the possession of, title to and property in the Equipment without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute a quit claim bill or bills of sale for the Equipment releasing its interests therein to the Vendee or upon its order, free of all liens, interests and encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records such transfer and release and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for

failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of all Taxes (as defined in § 6 of the Lease) hereafter levied or imposed upon or in connection with or measured by, this Agreement or any sale, rental, use, payment, shipment, import, export, delivery or transfer of title under the terms hereof, all of which Taxes the the Vendee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. At the option of the Vendor, such payment of Taxes by the Vendee (including the filing of any returns, reports or other documents relating thereto) shall be made directly to the appropriate taxing authority. The Vendee will also pay promptly all Taxes which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Vendor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Taxes which might in any way affect the title of the Vendor or result in a lien upon such Unit; provided, however, that the Vendee shall be under no obligation to pay any Taxes so long as it is contesting in good faith and with due diligence and by appropriate legal proceedings such Taxes and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor hereunder. The Vendor may require the Vendee to give security to the satisfaction of the Vendor for the due payment or discharge of any such Taxes in case it shall be held to be valid. If any Taxes shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor on presentation of an invoice therefor.

In the event any reports with respect to Taxes are required to be made, the Vendee will either make such reports in such manner as to show the interests of the Vendor in such Units or notify the Vendor of such requirement and will make such reports in such manner as shall be satisfactory to the Vendor.

All of the obligations of the Vendee under this Article 6 shall survive and continue, notwithstanding payment in full of all amounts due under this Agreement, but only with respect to periods included in the term of this

Agreement.

ARTICLE 7. Maintenance; Casualty Occurrences. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition, ordinary wear and tear excepted, and eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads and/or the rules of any governmental agency or other organization with jurisdiction, if applicable.

In the event that any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, irreparably damaged or rendered unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days (each such occurrence being herein called a "Casualty Occurrence"), the Vendee shall, promptly after it shall have determined that such unit has suffered a Casualty Occurrence cause the Vendor to be fully informed in regard thereto. On the next succeeding Payment Date (or, in the event such Payment Date will occur within 15 days after such notification, on the following Payment Date) (such date being hereinafter called a "Casualty Payment Date") the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined in this Article) of such unit suffering a Casualty Occurrence as of the date on which such payment is made (regardless of the date on which the determination that the Unit has suffered a Casualty Occurrence is made) and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) to prepay without penalty or premium, ratably in accordance with the unpaid balance of each installment, the CSA Indebtedness, and the Vendee will promptly furnish or cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Vendor may request.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, the security interest of the Vendor in such unit shall terminate and the Vendee shall have the absolute right to the possession of, title to and property in such unit without further transfer or action on the part of the

Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming the Vendee's right, title and interest in and to such unit, and the release of the Vendor's security interest in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the Vendee Purchase Price thereof remaining unpaid on the Casualty Payment Date (taking into account payments of principal and interest paid on such date but without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit), plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of the Vendee Purchase Price in respect of Equipment made pursuant to Article 4 hereof shall be deemed to be a payment on each unit of the Equipment in like proportion as the Vendee Purchase Price of such unit bears to the aggregate Vendee Purchase Price of the Equipment.

ARTICLE 8. Reports and Inspections. On or before April 1 in each year, commencing with the year 1981, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with the road number of the Lessee as set forth in Annex B hereto, or, in the case of Equipment not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION" or other appropriate words approved or designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's security interest in the Equipment and its rights under this Agreement. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which

may be removed, obliterated, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement and the Lease shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names, trademarks, or initials or other insignia customarily used by the Lessee or its affiliates and as set forth in the last paragraph of § 5 of the Lease.

ARTICLE 10. Compliance with Laws and Rules.

During the term of this Agreement, the Vendee will comply, and will cause every lessee of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessee's operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transport (Canada) and the United States Department of Transportation and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or modification of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by NAC to the Vendee, to the possession of the Equipment and the use thereof, but only

upon and subject to all the terms and conditions of this Agreement.

Subject to §§ 4 and 12 of the Lease, the parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the title or interests of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Vendee or its successors or assigns, not arising out of the transactions contemplated hereby (but, to the extent that it receives funds sufficient for such purpose from the Owner, including

tax liens arising out of the receipt of the rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify and save harmless the Vendor against any charge or claim made against the Vendor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, patent liabilities, penalties and interest) which the Vendor may incur in any manner by reason of entering into or of the performance of this Agreement or by reason of the ownership of any Unit, or which may arise in any manner out of or as the result of the use, operation, condition, purchase, ordering, acquisition, delivery, rejection, storage or return of any Unit under this Agreement. The Vendee further agrees to indemnify and save harmless the Vendor against any charge, claim, expense, loss or liability on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury to any person; provided, however, that the Vendee shall not be required to indemnify the Vendor under this paragraph for negligence on the part of the Vendor. The indemnities arising under this paragraph shall survive payment of all other obligations under this Agreement or the termination of this Agreement. Anything herein to the contrary notwithstanding, the Vendee shall not be obligated to indemnify under this paragraph in respect of any charge, claim, expense, loss or liability attributable to a Unit which, and to an event occurring after such Unit, shall have been assembled, delivered, stored and transported to the Vendor pursuant to Articles 15 and 16 hereof or after this Agreement with respect to such Unit has otherwise terminated; provided further that such charge, claim, expense, loss or liability does not arise as a result of mechanical defects of such Units which existed at the time such Unit was so returned or this Agreement with respect to such Unit terminated.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations

hereunder in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

The Builder represents and warrants to NAC, the Vendee and the Assignee that it is not entering into this Agreement, or entering into any assignment of this Agreement, directly or indirectly, in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it or NAC, the Vendee, the Lessee or any Investor is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

The Builder represents and warrants to NAC, the Vendee and the Assignee that, at the time of delivery and acceptance of each unit of the Equipment under this Agreement, NAC will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

The Builder represents and warrants to NAC, the Vendee and the Lessee that at the time of delivery and acceptance of each unit of Equipment under this Agreement such Unit will constitute "new section 38 property" as defined in the United States Internal Revenue Code of 1954, as amended.

NAC represents and warrants that it is not entering into this Agreement, or any other transaction contemplated hereby, directly or indirectly, in connection with any arrangement or understanding in any way involving any employee benefit plan or related trust (other than a governmental plan) within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA").

NAC represents and warrants to the Vendee, the Lessee and the Assignee that, (i) at the time of delivery and acceptance of each unit of the Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the security interest of the Vendor under this Agreement and the rights of the Lessee under the Lease, (ii) at the time of delivery to the Lessee and the Vendee of any unit of Equipment, such unit will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b)2 and 167(c)(2) of the Internal Revenue Code of 1954, as amended, from commencing with the Vendee and (iii) at the

time of delivery to the Vendee of any unit of Equipment, no depreciation or other tax benefits will have been claimed by any person with respect thereto.

NAC represents and warrants to the Vendee and the Beneficiary that as of the date of the delivery and acceptance of each Unit under the CSA, each such Unit will have a minimum estimated useful life of at least 32.5 years from such date and an estimated residual value as of the end of the fifth year following the expiration of the 20-year basic term of the Lease (without including in such value any increase or decrease for inflation or deflation during such period and after subtracting the cost, if any, to the Beneficiary for removal and delivery of such Unit at the end of such 25-year period) of at least twenty percent (20%) of the Vendee Purchase Price. If NAC shall breach the foregoing representation and warranty with resulting adverse tax consequences to the Beneficiary, NAC shall pay the Beneficiary an amount which on an after tax basis, together with all rentals or other payments received, will enable the Beneficiary to obtain the same net after tax rate of return as if no breach of the foregoing representation and warranty had occurred. In the event the Internal Revenue Service shall notify the Beneficiary of a proposed disallowance or adjustment for which NAC may be liable hereunder, the Beneficiary shall forthwith notify NAC and NAC shall have the right to contest the proposed disallowance or adjustment at its sole cost and expense.

The agreement of the parties relating to the Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Item 3 of Annex A hereto.

NAC MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATIONS OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE VENDEE HEREUNDER, AND NAC MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE VENDEE OR OTHERWISE).

ARTICLE 14. Assignments. The Vendee agrees that it will not transfer the right to possession of any unit of the Equipment, or sell, assign or otherwise dispose of any of its rights under this Agreement or the Lease without the prior written consent of the Vendor.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Builder or NAC from, any of the obligations of the Builder to construct and deliver the Equipment to NAC or of NAC to deliver the Equipment to the Vendee in accordance herewith or to respond to their respective warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its obligations to NAC, or NAC of its obligations to the Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the Assignee to the entire unpaid indebtedness in respect of the Vendee Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever arising out of any breach of any obligation of NAC or the Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee

or the Lessee by NAC or the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against NAC or the Builder, as the case may be.

ARTICLE 15. Defaults. In the event that any one or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 10 business days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) any proceedings shall be commenced by or against the Lessee by way of a scheme of arrangement under the Railway Act, R.S.C. 1970, c.R-2; or

(d) any other proceeding shall be commenced by or against the Beneficiary, the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee under the Lease or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee under this Agreement or of the Lessee under the Lease and the Consent or of the Beneficiary under the Trust Agreement

shall not have been and shall not continue to have been duly assumed in writing, by the trustee in such proceedings in accordance with the provisions of 11 U.S.C. § 1168, if applicable, or any successor provision, as the same may hereafter be amended, or pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee, or the Lessee, or the Beneficiary or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee, the Beneficiary and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the provisions of the last paragraph of § 4 of the Lease, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid CSA Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of the CSA Indebtedness and such interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Articles 4 and 21 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event which has come to its attention which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee, the Beneficiary and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law. Notwithstanding anything to the contrary contained in this Article 16, the Vendor's right to terminate the Lease and deprive the Lessee of possession and use of the Equipment is subject to the last paragraph of § 4 of the Lease.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 60 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event the security interest of the Vendor in the Equipment shall terminate and the Vendee

shall have the absolute right to the possession of, title to and property in the Equipment; provided further that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee, the Beneficiary and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, the security interest of the Vendor in the Equipment shall terminate and the Vendee shall have the absolute right to the possession of, title to and property in the Equipment. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such

place or places as the Vendor may specify), at such time or times as the Vendor may specify in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than 10 days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Lessee and the Vendee to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder. From and after the date of any such sale, the Vendee shall pay to the Vendor an amount equal to the interest rate on the unpaid CSA Indebtedness with respect to any such unit which shall not have been assembled, as hereinabove provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly

granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement, except such portion as relates to the sale of the Equipment by the Builder to NAC, shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith thereafter given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish or cause to be furnished to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, the exhibits thereto and the Purchase Order, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor, the Vendee and the Builder with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor, the Vendee and, if such variation or modification shall adversely affect its interests hereunder, the Builder.

ARTICLE 20. Notice. Any notice hereunder to any

of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first-class mail, postage prepaid, at the following addresses:

(a) to the Vendee, at 130 South LaSalle Street, Chicago, Illinois 60690, attention of Michael Goodman, Esq.,

(b) to the Assignee at 135 South LaSalle Street, Chicago, Illinois 60690, attention of Corporate Trust Department,

(c) to the Lessee, at 935 Lagauchetiere Street West, Montreal, Quebec, Canada H3C 3NA, attention of Treasurer,

(d) to the Builder, at the address specified in Item 1 of Annex A hereto,

(e) to NAC, at 222 South Riverside Plaza, Chicago, Illinois 60606, attention of Vice President-Law,

(f) to the Beneficiary, at One Embarcadero Center San Francisco, California 94111, attention of Manager, Leveraged Lease Department,

(g) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto or of the Beneficiary, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second and eighth paragraphs of Article 16 and under Articles 3, 6, 7 (other than the second and third sentences of the second paragraph thereof to the extent that certificates or payment schedules are required to be prepared and furnished therein), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof) and 13 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, covenants, undertakings and agreements by Exchange National Bank of Chicago, or for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, subject to the limitations of Article 4, and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct by the bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiary on account of this Agreement or on account of any representation, warranty, covenant, undertaking or agreement of the Vendee or the Beneficiary, either expressed or implied, except for their respective obligations under the proviso to the last paragraph of Article 12 hereof and under subparagraph (a) of the third paragraph of Article 4 hereof; all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor.

The Vendee agrees that it will not enter into any amendment to or modification of the Trust Agreement except as provided in Article VIII thereof.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided,

however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited, or in which any unit of the Equipment shall be located, and any rights arising out of the markings of the units of Equipment.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to the Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

NORTH AMERICAN CAR CORPORATION
(Canadian Railcar Division),

by

[Corporate Seal]

Attest:



NATIONAL STEEL CAR CORPORATION,
LIMITED,

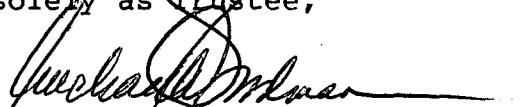
by

[Corporate Seal]

Attest:

EXCHANGE NATIONAL BANK OF CHICAGO,
not in its individual capacity,
but solely as Trustee,

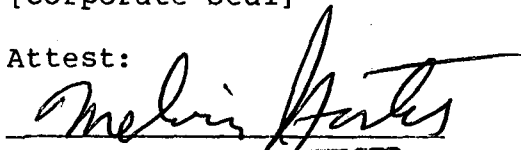
by



Vice President

[Corporate Seal]

Attest:



ASSISTANT TRUST OFFICER

Debra A Kelly
Notary Public

PROVINCE OF ONTARIO,)
) ss.:
JUDICIAL DISTRICT OF)
HAMILTON-WENTWORTH,)

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 4TH day of MARCH 1980, before me personally appeared MICHAEL D. GOODMAN to me personally known, who, being by me duly sworn, says that he is a ~~Mr. President~~ of EXCHANGE NATIONAL BANK OF CHICAGO, that one of the seals affixed to the foregoing instrument is the seal of said national association, that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

[Notarial Seal]


Notary Public

My Commission expires ~~MY~~ Commission Expires July 27, 1981

SCHEDULE I

Allocation Schedule of Each
\$1,000,000 of 9.95% CSA Indebtedness

<u>Payment Number</u>	<u>Beginning Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Debt Service</u>	<u>Ending Principal</u>
		*			
1	\$1,000,000.00	\$ 49,750.00	\$.00	\$ 49,750.00	\$1,000,000.00
2	1,000,000.00	49,750.00	.00	49,750.00	1,000,000.00
3	1,000,000.00	49,750.00	2,306.17	52,056.17	997,693.83
4	997,693.83	49,635.27	13,752.23	63,387.50	983,941.60
5	983,941.60	48,951.09	14,436.41	63,387.50	969,505.19
6	969,505.19	48,232.88	15,154.62	63,387.50	954,350.57
7	954,350.57	47,478.94	15,908.56	63,387.50	938,442.01
8	938,442.01	46,687.49	16,700.01	63,387.50	921,742.00
9	921,742.00	45,856.66	17,530.84	63,387.50	904,211.16
10	904,211.16	44,984.51	18,402.99	63,387.50	885,808.17
11	885,808.17	44,068.96	19,318.54	63,387.50	866,489.63
12	866,489.63	43,107.86	20,279.64	63,387.50	846,209.99
13	846,209.99	42,098.95	21,288.55	63,387.50	824,921.44
14	824,921.44	41,039.84	22,347.66	63,387.50	802,573.78
15	802,573.78	39,928.05	23,459.45	63,387.50	779,114.33
16	779,114.33	38,760.94	24,626.56	63,387.50	754,487.77
17	754,487.77	37,535.77	25,851.73	63,387.50	728,636.04
18	728,636.04	36,249.64	27,137.86	63,387.50	701,498.18
19	701,498.18	34,899.53	28,487.97	63,387.50	673,010.21
20	673,010.21	33,482.26	29,905.24	63,387.50	643,104.97
21	643,104.97	31,994.47	28,554.81	60,549.28	614,550.16
22	614,550.16	30,573.87	29,196.45	59,770.32	585,353.71
23	585,353.71	29,121.35	25,354.94	54,476.29	559,998.77
24	559,998.77	27,859.94	25,855.82	53,715.76	534,142.95
25	534,142.95	26,573.61	21,931.48	48,505.09	512,211.47
26	512,211.47	25,482.52	22,349.07	47,831.59	489,862.40
27	489,862.40	24,370.65	20,449.17	44,819.82	469,413.23
28	469,413.23	23,353.31	20,884.35	44,237.66	448,528.88
29	448,528.88	22,314.31	21,059.93	43,374.24	427,468.95
30	427,468.95	21,266.58	21,563.65	42,830.23	405,905.30
31	405,905.30	20,193.79	21,757.11	41,950.90	384,148.19
32	384,148.19	19,111.37	22,277.82	41,389.19	361,870.37
33	361,870.37	18,003.05	22,654.02	40,657.07	339,216.35
34	339,216.35	16,876.01	23,200.75	40,076.76	316,015.60
35	316,015.60	15,721.78	41,391.15	57,112.93	274,624.45
36	274,624.45	13,662.57	49,724.93	63,387.50	224,899.52
37	224,899.52	11,188.75	52,198.75	63,387.50	172,700.77
38	172,700.77	8,591.86	54,795.64	63,387.50	117,905.13
39	117,905.13	5,865.78	57,521.72	63,387.50	60,383.41
40	60,383.41	3,004.07	60,383.41	63,387.48	-.0
		<u>\$1,267,378.28</u>	<u>\$1,000,000.00</u>	<u>\$2,267,378.28</u>	

* Interim interest only is payable on the Repayment Date (as defined in the Participation Agreement).

Annex A

to

Conditional Sale Agreement

- Item 1: National Steel Car Corporation, Limited, a Canadian corporation, at P. O. Box 450, Hamilton, Ontario, L8N3J4.
- Item 2: The Equipment shall be settled for in not more than two Groups of units of the Equipment delivered to and accepted by NAC and the Vendee unless a greater number shall be agreed to by the parties hereto.
- Item 3: (a) The Builder warrants to NAC, the Lessee and the Vendee that the Equipment will be built in accordance with the Specifications and the standards and requirements set forth in Article 2 of the CSA to which this Annex is attached (the "Agreement") and warrants the Equipment will be free from defects in material (except as to specialties incorporated therein and workmanship with respect thereto specified by the Lessee or NAC and not manufactured by the Builder) and workmanship under normal use and service. The Builder's liability under this Item 3 is limited to making good at its plant any part or parts of any unit of Equipment which shall, within one year after the delivery of such unit of Equipment to the Vendee, be returned to the Builder with transportation charges prepaid and which examination by the Builder shall disclose to its satisfaction to have been thus defective. THE BUILDER MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE. The rights of NAC, the Lessee and the Vendee under the foregoing warranty shall be their sole and exclusive remedy and the Builder will have no liability for lost profits or for indirect, incidental, consequential or commercial losses. This warranty is expressly in lieu of all other warranties expressed or implied on the part of the Builder, except for its obligations and liabilities under Articles 2, 3, 4 and 13 of this Agreement and Item 3(b) below. The Builder neither assumes nor authorizes any person to assume for it any other warranty liability in connection with the construction and delivery of the Equipment.

The Builder further agrees that NAC, the Lessee and the Vendee as well as the Builder may to the extent permitted by law take and prosecute claims against vendors of specialties purchased by the Builder for incorporation in the Equipment manufactured by the Builder for the breach of any warranty by the vendors with respect to such specialties. The Builder, NAC, the Lessee and the Vendee each agrees to notify the others prior to the assertion of any claim by them against any such vendors of specialties. If the Builder determines that it has no interest in any such claim asserted by the Vendee, the Builder agrees to assign to the Lessee, NAC and the Vendee, solely for the purpose of making and prosecuting any such claim, all the rights which the Builder has against such vendor for the breach of warranty or other representation respecting the Equipment manufactured by it. The word "specialties" as used herein shall be deemed to include articles, materials, systems, formulae and processes.

The Builder further agrees with NAC, the Lessee and the Vendee that neither the inspections provided for in Article 3 of this Agreement, nor any examination, nor the acceptance of any units of its Equipment as provided in said Article 3 shall be deemed a waiver or a modification by NAC or the Vendee of any of their rights under this Item 3(a).

(b) Except in case of designs, processes or combinations specified by the Lessee or by NAC and not developed or purported to be developed by the Builder, and articles and materials specified by the Lessee or by NAC and not manufactured by the Builder, the Builder agrees to indemnify, protect and hold harmless the Lessee, the Vendee, the Beneficiary and NAC from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Lessee, NAC, the Beneficiary and the Vendee because of the use in or about the construction or operation of the Equipment, or any unit thereof, of any design, process, combination, article or material infringing or claimed to infringe on any patent or other right. The Lessee, as a condition to its being a third party beneficiary hereof, or NAC, as the case may

be, will indemnify, protect and hold harmless the Builder from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Builder because of the use in or about the construction or operation of the Equipment, or any unit thereof, of any design, process or combination specified by the Lessee or by NAC and not developed or purported to be developed by the Builder, or article or material specified by the Lessee or by NAC and not manufactured by the Builder, which infringes or is claimed to infringe on any patent or other right. The Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, transfer, assign, set over and deliver to the Lessee or to NAC, as the case may be, every claim, right and cause of action which the Builder has or hereafter shall have against the originator or seller or sellers of any design, process, combination, article or material specified by the Lessee or by NAC and used by the Builder in or about the construction or operation of the Equipment, or any unit thereof, on the ground that any such design, process, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right, and the Builder further agrees to execute and deliver to the Lessee or to NAC, as the case may be, all and every such further assurances as may be reasonably requested by them more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action. The Lessee, as a condition to its being a third-party beneficiary hereof, or NAC, as the case may be, will give notice to the Builder of any claim known to the Lessee on the basis of which liability may be charged against the Builder hereunder.

- Item 4: The Vendee Purchase Price referred to in Article 4 of this Agreement is U.S. \$41,445 per unit of Equipment and U.S. \$12,433,500 for 300 units of Equipment.

Annex B

to

Conditional Sale Agreement

<u>Type</u>	<u>AAR Mechanical Designation:</u>	<u>Builder's Specifications</u>	<u>Builder's Plant</u>	<u>Quantity</u>	<u>Lessee's Road Numbers</u>		<u>Unit Vendee Purchase Price</u>	<u>Total Vendee Purchase Price</u>	<u>Estimated Time and Place of Delivery</u>
					<u>(Both Inclusive)</u>	<u>through</u>			
4,550 cu. ft. covered hopper cars	LO	M-1803-B	Hamilton Ontario, Canada	300	QNIS 376000 through QNIS 376299		U.S. \$41,445	U.S. \$12,433,500	March 10, through March 31, 1980, at Hamilton, Ontario, or at such other location as may be designated by the Builder

ANNEX C
to the
Conditional Sale Agreement

LEASE OF RAILROAD EQUIPMENT

Dated as of October 1, 1979,

Between

CANADIAN NATIONAL RAILWAY COMPANY,

Lessee,

and

EXCHANGE NATIONAL BANK OF CHICAGO, not in its individual
capacity, but solely as Trustee,

Lessor.

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* This Table of Contents has been included in this document for convenience only and does not form a part of, or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of October 1, 1979, between CANADIAN NATIONAL RAILWAY COMPANY, a Canadian corporation ("Lessee"), and EXCHANGE NATIONAL BANK OF CHICAGO, a national banking association, not individually but solely in its capacity as Trustee ("Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Beneficiary").

The Lessor is entering into a conditional sale agreement dated as of the date hereof (the "CSA") with National Steel Car Corporation, Limited ("National"), and North American Car Corporation (Canadian Railcar Division) ("NAC"), wherein National has agreed to manufacture, sell and deliver to NAC, and NAC has agreed to sell and deliver to the Lessor, the units of railroad equipment described in Schedule A hereto, such units being herein sometimes called "Equipment".

NAC is assigning its interest in the CSA to LA SALLE NATIONAL BANK, acting as agent (said bank, as so acting, being hereinafter together with its successors and assigns called "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor and the parties named in Schedule A thereto.

The Lessee desires to lease such number of units of the Equipment as are delivered, accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided.

The Lessor will assign this Lease, for security purposes, to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") dated as of the date hereof, and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (the "Consent") dated the date hereof.

The Lessee will agree to indemnify the Lessor pursuant to an indemnity agreement (the "Indemnity Agreement"), substantially in the form attached as Exhibit D to the Participation Agreement, between the Lessee and the Lessor,

against certain losses, liabilities or expenses incurred or suffered by the Lessor.

NOW, THEREFORE, in consideration of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the CSA, or against National, NAC or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental, or other payment (except as provided in the fourth paragraph of § 6 and the sixth paragraph of § 9 hereof), required to be made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Vendor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a Unit to NAC and the Lessor under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point or points at which such Unit is delivered to NAC and the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee or agent of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of NAC and the Lessor under the CSA and itself hereunder and execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee, NAC and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The Lessee hereby represents and warrants to the Lessor that no Unit shall be put into service earlier than the date of delivery to and acceptance by the Lessee as agent for NAC and the Lessor hereunder.

§ 3. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit one interim rental payment on the Repayment Date (as defined in the Participation Agreement) and 40 consecutive semiannual payments payable on the corresponding day in each of the next succeeding 40 consecutive semiannual periods (each of such 40 dates being hereinafter called a "Rental Payment Date"). The interim rental payment shall be in an amount equal to 0.0225378% of the Vendee Purchase Price for each Unit subject to the Lease for each day elapsed from and including the Closing Date (as defined in the CSA) with respect to such Unit to but not including the Repayment Date. The 40 semiannual payments shall each be in an amount equal to 4.0568% of the Vendee Purchase Price of such Unit.

All rental payments payable hereunder shall be in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

If any of the Rental Payment Dates referred to above is not a business day, the rental payment otherwise payable on such date shall then be payable on the next succeeding business day. The term "business day" as used

herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, and Chicago, Illinois, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments due the Lessor provided for in this Lease to the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor (a) first to apply such payments to satisfy the obligations of the Lessor under the CSA and (b) second, so long as no event of default or event which, with the lapse of time and/or demand provided for in the CSA could constitute an event of default under such CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor in immediately available funds at such place as the Lessor shall specify in writing; provided that any indemnity payable to the Lessor as trustee and in its individual capacity or to the Beneficiary pursuant to § 9 hereof and taxes and indemnities payable or reimbursed to the Beneficiary or the Lessor under § 6 hereof shall be paid by check of the Lessee directly to the party entitled to receive the same.

The Lessee agrees to make each payment provided for in this § 3 by check in immediately available funds at or prior to 10:00 a.m. Chicago, Illinois, time at the office of the Vendor on the date due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 14 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. Except for obligations of the Lessee hereunder which are specifically stated to terminate at a fixed time, the obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9 and 13 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained in this Lease, so long as (i) the Lessee shall not be in default under this Lease, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Owner Trustee is entitled to apply the Payments (as defined in the Consent) as therein provided, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliated corporation upon its or their lines of railroad

or upon lines of railroad over which the Lessee or such other corporation has trackage or other operating rights or over which railroad equipment of the Lessee or any such other corporation is regularly operated pursuant to contract, and also to permit the use of the Units upon other railroads in the usual interchange of traffic (if such interchange is customary at the time), but only upon and subject to all the terms and conditions of this Lease and without in any way relieving the Lessee from any obligation or liability hereunder. Subject to the foregoing, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words, "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated or approved by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the Vendor under the CSA. The Lessee will not place or permit any such Unit to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace or cause to be replaced promptly any such name and words which may be removed, defaced, obliterated or destroyed. The Lessee will not change or permit to be changed the identifying number of any Unit unless and until a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may permit the Equipment to be lettered with the

names, trademarks, initials or other insignias customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of its rights to use the Equipment under this Lease, and the Equipment may be lettered in an appropriate manner for convenience of identification of the interest of the Lessee therein.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any Canadian Federal or provincial taxes or any United States Federal, state or local taxes (other than any United States Federal income taxes [or Canadian Federal income taxes in respect of which the Lessor receives credit against its United States Federal income tax liability] payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all Canadian or United States local, provincial, state or city income taxes or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Owner has its principal place of business without apportionment to any other state or city, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, duties or license fees, and any charges, fines or penalties in connection therewith (all such expenses, taxes, withholding taxes, assessments, duties, license fees, charges, fines and penalties being hereinafter called "Taxes"), hereafter levied or imposed upon or in connection with or measured by, this Lease or any sale, rental, use, payment, shipment, import, export, delivery or transfer of title under the terms hereof, all of which Taxes the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein; provided, however, that the Lessee shall not be responsible to the Lessor for payment of Taxes arising solely as a result of the sale of any Unit (other than in connection with an Event of Default) or solely as the result of a sale of any Unit after the termination of this Lease (other than pursuant to an Event of Default). At the option of the Lessor, such payment of Taxes by the Lessee (including the filing of any returns, reports or other documents relating thereto) shall be made directly to the appropriate taxing authority. The Lessee will also pay promptly all Taxes which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Taxes

which might in any way affect the title of the Lessor or result in a lien upon such Unit; provided, however, that the Lessee shall be under no obligation to pay any Taxes so long as it is contesting in good faith and with due diligence and by appropriate legal proceedings such Taxes and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor hereunder. The Lessor may require the Lessee to give security to the satisfaction of the Lessor for the due payment or discharge of any such Taxes in case it shall be held to be valid. If any Taxes shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event any reports with respect to Taxes are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor in such Units or notify the Lessor of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Taxes are paid or reimbursed by the Lessee.

It is acknowledged that under current law the rentals payable by the Lessee hereunder will be subject to Canadian withholding tax to the extent that such rentals are in respect of use of the Units in Canada. Pursuant to the first paragraph of this § 6, the Lessee will be obligated to indemnify the Lessor against such withholding taxes so that the rentals actually received by the Lessor after deduction of withholding tax shall be in the amounts provided in § 3 hereof.

The Lessee shall furnish promptly upon request, such information and data as is normally available to the Lessee and which the Lessor or the Vendor reasonably may require to permit compliance with the requirement of any taxing authority.

In the event that the Lessor shall become obligated to make any payment to the Vendor or otherwise pursuant to any corresponding provision of the CSA (other than the proviso to the third paragraph of Article 12 thereof) not covered by the first paragraph of this § 6, the Lessee shall

pay such additional amounts (which shall also be deemed Taxes hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

§ 7. Payment for Casualty Occurrences; Maintenance; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) in good operating order, repair and condition, ordinary wear and tear excepted, and eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads and/or the rules of any governmental agency or other organization with jurisdiction, if applicable.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, irreparably damaged, or permanently rendered unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days (each such occurrence being hereinafter called a "Casualty Occurrence") during the term of this Lease, or until such Unit shall have been returned in the manner provided in § 11 or 13 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the Rental Payment Date next succeeding the delivery of such notice (or, in the event such Rental Payment Date will occur within 15 days after delivery of notice, on the following Rental Payment Date, or, in the event the term of this Lease has already expired or will expire within 15 days after delivery of such notice, on a date within 15 days of such delivery) (such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of such Casualty Payment Date in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The Casualty Value of each Unit as of the Casualty Payment Date for each such Unit shall be the percentage of

the Vendee Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date with respect to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence after the expiration of the original or extended term of this Lease and before such Unit shall have been returned in the manner provided in § 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 28.2051% of the Vendee Purchase Price of such Unit (unless such Casualty Occurrence occurs after the term of this Lease has been extended pursuant to § 14 hereof, in which case the amount of such Casualty Value shall be as agreed upon). Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof (including the issuance of bills of sale for and on behalf of the Lessor), before or after the expiration of this Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor and is not in default hereunder, the Lessee shall be entitled to the net proceeds of such disposition to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor in accordance with the terms of this Lease and during any storage period, at its own expense, cause to be carried and maintained insurance covering physical damage to the Units and insurance covering public liability, the latter in the amount of at least \$20,000,000 (with up to \$10,000,000 deductible), against the risks and in the amounts customarily insured against by the Lessee in respect of similar equipment owned or leased by it. At the request of the Lessor, the Lessee shall provide the Lessor with a certificate of an officer of the Lessee to the effect that such insurance is in effect.

Notwithstanding anything to the contrary in the immediately preceding paragraph, the Lessee may self-insure with respect to physical damage to the Units.

§ 8. Reports. On or before April 1 in each year, commencing with the calendar year 1981, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by § 5 hereof have been preserved or replaced. The Lessor shall have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE), it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against National or NAC, including, but not limited to, any claims and rights arising under the provisions of the CSA. The Lessor shall

have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transport of Canada, the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units and in the event that such laws or rules require any alteration, replacement, modification or addition of or to any part of any Unit, the Lessee will fully conform therewith at its own expense; provided, however, that the Lessee may, in good faith, contest, with due diligence by appropriate legal proceedings, the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of independent counsel, adversely affect the property or rights of the Lessor or the Vendor under this Lease.

The Lessee and its affiliates, at their own cost and expense, may from time to time make such alterations, modifications and additions (including, without limitation, any special devices or assemblies at any time attached or

affixed to any Unit, the cost of which is not included in the Vendee Purchase Price of such Unit and which are not required for the operation or use of such Unit by the Department of Transport of Canada, the Interstate Commerce Commission, the United States Department of Transportation or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units or in accordance with their original purpose and shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease; provided, however, that no such Addition shall be made if it is not readily removable from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which the Unit would have had immediately prior to such time had such Addition not been made.

Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and the Vendor as their respective interests may appear in the Unit itself in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for any such original Part, (ii) such Part is required to be incorporated in or installed as part of the Unit pursuant to the terms of the second or third paragraph of this § 9, or (iii) notwithstanding the provisions of the third paragraph of this § 9, such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default under § 10 hereof (or other event which after lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as

a result of such alterations or additions shall vest in the Lessee. The term Part for the purposes of this paragraph and § 13 hereof shall be defined to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessor and the Lessee understand that, as a condition of issuing a favorable ruling as to the tax consequences of a leveraged lease transaction, the Internal Revenue Service may require that the lessor and the lessee agree in the lease agreement that the lessor will take into income the value of certain additions, modifications and improvements made by the lessee. Consequently, if the Lessee or any member of the Lessee Group (as defined in Rev. Proc. 75-21) makes any addition, modification or improvement in or to any Unit pursuant to the foregoing paragraphs which is not permitted to be made pursuant to the provisions of Section 3 of Rev. Proc. 79-48, the Lessee and the Lessor agree that the trust created by the Trust Agreement (and thus the Beneficiary) shall include as income for United States Federal income tax purposes the fair market value of such addition, modification or improvement at the time such addition, modification or improvement is made, unless the Internal Revenue Service issues a ruling satisfactory to the Lessor without, in the opinion of counsel to the Lessor, requiring that the foregoing agreement be operative. If the foregoing agreement is operative and if the applicable procedures of the Internal Revenue Service are subsequently changed to permit such additions, modifications or improvements without such inclusion in income of the trust created by the Trust Agreement and the Beneficiary or to provide for other, more favorable tax treatment, then the Lessor and the Lessee agree to join in requesting a ruling from the Internal Revenue Service regarding such change and if, in the opinion of counsel to the Lessor, such a subsequent ruling permits the amendment of this Lease to reflect such change without adversely affecting the ruling previously issued by the Internal Revenue Service with respect to this transaction or preventing the issuance of such a ruling, the Lessor and the Lessee agree that the trust created by the Trust Agreement and the Beneficiary shall no longer be required to include as income for United States Federal income tax purposes the fair market value of such additions, modifications or improvements.

The Lessee agrees to indemnify and save harmless the Lessor against any charge or claim made against the Lessor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, patent, trademark and copyright liabilities, penalties and interest, but excluding any items that Tiger Financial Services, Inc., a Delaware corporation ("Tiger"), has agreed to pay pursuant to Paragraph 12 of the Participation Agreement) which the Lessor may incur in any manner by reason of entering into or of the performance of this Lease or by reason of the ownership of any Unit, or which may arise in any manner out of or as the result of the use, operation, condition, purchase, ordering, construction, acquisition, delivery, rejection, storage or return of any Unit under this Lease including, but not limited to, any latent or other defects whether discoverable or not by the Lessor, the Beneficiary or the Lessee, any claims based on strict liability in tort or any violation or alleged violation of any provision of this Lease. The Lessee further agrees to indemnify and save harmless the Lessor against any charge, claim, expense, loss or liability on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury or death to any person; provided, however, that the Lessee shall not be required to indemnify the Lessor under this paragraph for negligence on the part of the Lessor. The indemnities arising under this paragraph shall survive payment of all other obligations under this Lease or the termination of this Lease. Anything herein to the contrary notwithstanding, the Lessee shall not be obligated to indemnify under this paragraph in respect of any charge, claim, expense, loss or liability attributable to a Unit which, and to an event occurring after such Unit, shall have been assembled, delivered, stored and transported to the Lessor pursuant to §§ 11 or 13 hereof or after this Lease with respect to such Unit has otherwise terminated. The Lessee shall be obligated under this § 9, irrespective of whether the Lessor shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Lessor may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against the Lessor in connection with any claim, indemnified against hereunder, the Lessee may, and upon the request of the Lessor will, at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and, in the

event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by the Lessor in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this § 9, the Lessee will pay the Lessor such amount. The Lessee and the Lessor each agrees to give the other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, it shall be subrogated to any right of the Lessor in respect of the matters against which indemnity has been given. Any payments received by the Lessor from any person (except the Lessee) as a result of any matter with respect to which the Lessor has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or the Participation Agreement or a guarantee of the residual value or useful life of the Equipment.

The Lessee agrees at its expense to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any U.S. or Canadian, Federal, provincial, state or other regulatory authority by reason of the interest of the Lessor or the Vendor in the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein called an "Event of Default") shall occur:

(a) default shall be made in payment of any amount provided in § 3 or 7 hereof, and such default shall continue for 10 days after such payment is due;

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement, the Consent or the Indemnity Agreement, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

(c) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

(d) any proceedings shall be commenced by or against the Lessee by way of a scheme of arrangement under the Railway Act, R.S.C. 1970, c.R-2 or under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and under the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or judgment or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) any representation or warranty made by the Lessee in the Participation Agreement or in any document or certificate furnished by the Lessee to the Lessor, the Beneficiary or the Vendor in connection herewith or

therewith or pursuant hereto or thereto shall be incorrect when made in any material respect adverse to such parties or any thereof and such condition, which caused such misrepresentation or breach of warranty, shall continue unremedied for a period of 30 days after the Lessee becomes aware of such condition;

then, in any such case, the Lessor, at its option, may,

(A) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(B) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Unit which represents the excess of (1) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this

Lease as to such Unit over (2) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6.5 percent per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, together with any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of the rental; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (B) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale (in addition to the amounts payable pursuant to §§ 6 and 9 hereof), as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an

Event of Default under clause (a), (b), (c) or (e) of this § 10, the Lessor may, upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition to the extent provided in Article 15(f) of the CSA, and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 10.95% per annum, shall be payable to the Lessor by the Lessee upon demand.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies, and a waiver of any such right on one occasion shall not constitute a waiver of such right as to any other occasion and shall not be effective unless in writing signed by the Lessor.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor and shall give prompt telegraphic and written notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit returned to the Lessor pursuant to this § 11 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear and modifications, if any, permitted by this Lease excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the rules of any governmental agency or other organization with jurisdiction, if applicable. For the purpose of delivering possession of any Unit or Units to the Lessor as above

required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner cause such Units to be transported to such location as shall reasonably be designated by the Lessor and there assembled,

(b) furnish and arrange for the Lessor to store such Units on any lines of railroad or premises of the Lessee approved by the Lessor until such Units have been sold, leased or otherwise disposed of by the Lessor, and

(c) cause the Units to be moved to such interchange point or points as shall be designated by the Lessor upon any sale, lease or other disposal of all or any of the Units.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All per diem amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .022538% of the Vendee's Purchase Price of such Unit exceeds the actual earnings received by the Lessee on such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Equipment pursuant to the first sentence of this paragraph.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of

any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. The Lessor agrees that it will not assign any of its rights under this Lease without the prior written consent of the Lessee, except as provided in Article VII of the Trust Agreement and the Lessee shall be under no obligation to any assignee of the Lessor other than the Vendor except under written notice of such assignment from the Lessor.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent, (iii) the Owner Trustee is entitled to apply the Payments (as defined in the Consent) as therein provided and (iv) the Lessee shall have fully complied with the provisions of the fourth paragraph of this § 12, the Lessee shall be entitled to the possession and use of the Units and, without the Lessor's consent, to sublease the Units to, or to permit their use by, a user incorporated in Canada or in the United States of America (or any state thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in Canada or in the United States of America (or any state thereof or the District of Columbia), or over which Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or runthrough service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that (1) the Lessee shall not sublease or permit the sublease or use of any Unit outside the United States of America or Canada and (2) that the Lessee shall not sublease any Unit for a period of more than one year without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. No such sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Any such sublease shall be subject to the rights and remedies of the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default hereunder.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against the Lessor not related to the ownership or leasing of the Units and except any lien created by the CSA) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Lessor or the Lessee therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to (a) any railroad company (i) incorporated under the laws of Canada and (ii) with capital and surplus aggregating at least that of the Lessee immediately after such assignment or transfer (which shall have duly assumed the obligations of the Lessee hereunder pursuant to appropriate instruments satisfactory in form and substance to the Lessor, the Vendor and their respective counsel) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition, be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor hereunder which shall be and remain those of a principal and not a surety.

§ 13. Return of Units upon Expiration of Term.

As soon as practicable on or after the expiration of the original or any extended term of this Lease, the Lessee will (unless the Units are sold to the Lessee or shall have suffered a Casualty Occurrence), at its own cost and expense, at the request of the Lessor, deliver possession of any Units

to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate and permit the Lessor to store such Units on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90-day period, to a final destination at any reasonable place on the lines of railroad operated by the Lessee or to any interchange for shipment to a connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; the movement and storage of the Units to be at the expense and risk of the Lessee during such 90-day period. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a judgment, order or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this article shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, the Canadian Transport Commission and/or the rules of any governmental agency or other organization with jurisdiction, if applicable.

§ 14. Renewal Option and Right of First Refusal. The parties hereto contemplate that at the end of the original term of this Lease, the Lessor will hold the Units for re-lease. Prior to the delivery of the Units pursuant to § 2 hereof, the Lessor will enter into an agreement ("Option Agreement") with Tiger pursuant to which the Lessor will grant to Tiger the option to lease all but not fewer than all of the Units for one five-year term commencing at the end of the original term of this Lease on such terms as are set forth in the Option Agreement. (It is understood that Tiger has granted the Lessee the right, if Tiger exercises said

option, to sublease such Units at the then "Fair Market Rental" [as such term is defined in this § 14] for such Units for such five-year term). Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, if Tiger shall fail to exercise its option to lease the Units at the end of the original term of this Lease, the Lessee, by written notice delivered to the Lessor not less than six months nor more than 12 months prior to the end of the original term of this Lease, may elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for a five-year period commencing on the scheduled expiration of the original term of this Lease. Such extension shall be on the same terms and conditions as are contained in this Lease, except as to the amount of rentals, which shall be at a Fair Market Rental, payable semiannually in arrears, and except as to applicable Casualty Values, which shall be as agreed upon between the Lessor and the Lessee at the time of such extension, or as shall be determined by appraisal as set forth below.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental but there shall be excluded any rental value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined as provided in the preceding sentences on the basis of the term and other terms and conditions of the lease being considered.

If, after 35 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, as provided in the first paragraph of this § 14, the Lessee and the Lessor are unable to agree upon a determination of Fair Market Rental, such rental shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within

25 business days after such notice is given, and the two appraisers so appointed shall within 30 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 30 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provisions for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties within a period of one year after the expiration of the original or any extended term of this Lease or the expiration of the lease between the Lessor and Tiger pursuant to the Option Agreement, the Lessee shall be given 45 days' prior written notice of such intention prior to the expiration of such period. In the event that during such one-year period the Lessor shall receive a bona fide offer from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such Offer, the Lessor shall give prompt written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are

proposed to be sold or under the other terms and conditions of payment offered by the other party. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 20 days of receipt of notice of the proposed sale from the Lessor specifying a date of purchase, which date shall not be later than 30 days after the date of delivery of such notice by the Lessee to the Lessor.

§ 15. Recording. The Lease and the CSA shall be filed with the Interstate Commerce Commission and deposited in the office of the Registrar General of Canada prior to the delivery and acceptance hereunder of any Unit.

The Lessee will promptly furnish to the Vendor and the Lessor evidence of any filing, registering, depositing or recording of this Lease and the CSA for which the Lessee is responsible under this Lease or the CSA.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay an amount equal to interest at a rate equal to 10.95% per annum.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when delivered to such other party or deposited in the mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at 130 South LaSalle Street,
Chicago, Illinois 60690, Attention of Michael A. Goodman,
Vice President;

if to the Lessee, at 935 Lagauchetiere Street
West, Montreal, Quebec, Canada H3C 3NA, Attention of
Treasurer;

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing. Any certificate, document or report required to be furnished by any party hereto to the other parties shall be delivered to the address set forth above for such party.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such juris-

diction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto, except the Participation Agreement and the exhibits thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee and consented to in writing by the Vendor.

§ 19. Definitions. Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Vendor and its successors and assigns) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party except as aforesaid.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, recorded or deposited, or in which any Unit of the Equipment shall be located, and any rights arising out of the markings of the Units of Equipment.

The Lessee agrees that any legal action, suit or proceeding arising out of or relating to its Documents may be instituted in any state or Federal court in the State of Illinois, United States of America and hereby submits to the jurisdiction of such courts. The Lessee waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such jurisdiction. The submission by the Lessee to such jurisdiction shall not limit or be construed to limit the right of the Lessor to commence proceedings against the Lessee in any other jurisdiction. The Lessee hereby designates and appoints Messrs. Sidley & Austin, as its authorized agent to accept and acknowledge on its behalf service of any and all

process which may be served at such agent's office at One First National Plaza, Chicago, Illinois 60603, and written notice of said service to the Lessee air mailed or delivered to it at its address specified herein shall be deemed in every respect service of process upon the Lessee in any such action, suit or proceeding and shall be taken and held to be valid personal service upon the Lessee. Said designation and appointment shall be irrevocable until this Lease has been terminated.

§ 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 22. Immunities; No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of the Lessor, are made and intended not as personal representations, warranties, covenants, undertakings and agreements by Exchange National Bank of Chicago, or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct on the part of such bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiary on account of this Lease or on account of any representation, warranty, covenant, undertaking or agreement of the Lessor or the Beneficiary herein, other than pursuant to the penultimate sentence of the sixth paragraph of § 9 hereof, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee, the Vendor and by all persons claiming by, through or under either of them.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CANADIAN NATIONAL RAILWAY
COMPANY,

by _____

by _____

EXCHANGE NATIONAL BANK OF
CHICAGO, not in its individual
capacity, but solely as Trustee,

by _____

[Corporate Seal]

Attest:

PROVINCE OF QUEBEC,)
) ss.:
 CITY OF MONTREAL,)

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of CANADIAN NATIONAL RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

My Commission Expires

Commissioner for Oaths, in and
 for the Province of Quebec

STATE OF ILLINOIS,)
) ss.:
 COUNTY OF COOK,)

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of EXCHANGE NATIONAL BANK OF CHICAGO, that one of the seals affixed to the foregoing instrument is the seal of said national association, that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

[Notarial Seal]

My Commission Expires

Notary Public

Lease of Railroad Equipment

SCHEDULE A

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>
National Steel--4,550 cu. ft. covered hopper cars	300	CNIS 376000 through CNIS 376299

Lease of Railroad Equipment

SCHEDULE B

CASUALTY VALUES

<u>Rental Payment</u> <u>Date No.</u>	<u>Percentage</u>	<u>Rental Payment</u> <u>Date No.</u>	<u>Percentage</u>
1	107.52758	21	77.92378
2	111.0039	22	75.9282
3	110.5952	23	73.6692
4	113.1440	24	71.4837
5	112.4556	25	69.1282
6	114.2781	26	66.7954
7	106.6586	27	64.3328
8	107.7954	28	61.8710
9	106.6585	29	59.2889
10	107.1585	30	56.6943
11	99.0968	31	53.9868
12	99.0132	32	51.2567
13	97.4491	33	48.4171
14	96.8401	34	45.5466
15	88.3761	35	42.5677
16	87.3056	36	39.6217
17	85.3756	37	36.6751
18	83.9139	38	33.8014
19	81.8476	39	30.9556
20	80.0886	40	28.2051

ANNEX D
to
Conditional Sale
Agreement

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of October 1, 1979

between

EXCHANGE NATIONAL BANK OF CHICAGO, not in its
individual capacity, but solely as Trustee

and

LA SALLE NATIONAL BANK,
as Agent

ASSIGNMENT OF LEASE AND AGREEMENT dated as of October 1, 1979 ("Assignment"), by and between EXCHANGE NATIONAL BANK OF CHICAGO not individually but solely in its capacity as Owner Trustee (the "Lessor" or the "Vendee") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Beneficiary"), and LA SALLE NATIONAL BANK, as Agent ("Vendor") under a Participation Agreement dated as of the date hereof.

The Vendee is entering into a conditional sale agreement dated as of the date hereof (the "CSA") with North American Car Corporation (Canadian Railcar Division) ("NAC") and National Steel Car Corporation, Limited ("National"), wherein National has agreed to manufacture, sell and deliver to NAC, and NAC has agreed to sell and deliver to the Vendee, units of railroad equipment described in Annex B thereto, such units being herein sometimes called "Units".

The Lessor and CANADIAN NATIONAL RAILWAY COMPANY ("Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof ("Lease"), providing for the leasing by the Lessor to the Lessee of the Units.

In order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as that term is defined in the CSA), the Lessor agrees to assign to the Vendor, for security purposes, certain of the Lessor's rights in, to and under the Lease;

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the CSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease, including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to

the provisions of the Lease whether as rent, casualty payment, liquidated damages, or otherwise (such moneys being hereinafter called "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease; provided, however, that the term Payments as used herein shall not be deemed to include payments made by the Lessee to the Lessor pursuant to §§ 6 and 9 of the Lease (except indemnification payments intended to satisfy the obligations of the Lessor to indemnify the Vendor pursuant to Articles 6 and 13 of the CSA or the obligation of the Lessee to indemnify Exchange National Bank of Chicago in its capacity as assignee of the Lease and except to the extent that the Lessor is obligated to pay and discharge claims, liens, charges or security interests under Paragraph 6 of this Assignment). In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default shall have occurred and be continuing under the CSA, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor, by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only

against, the Lessor or persons other than the Vendor. The Lessor shall appear in and defend every action in connection with its obligations or duties under the Lease at its sole cost.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by the Lessor. Without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease, and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive and compound any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and all taxes, claims, liens, charges or security interests (other than created by the CSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the CSA or the Lease (but including tax liens arising out of the receipt of the rentals and other payments under the Lease and any other proceeds

from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

7. The Lessor will from time to time do and perform any other act and will execute, acknowledge, deliver and file, register, deposit and record (and will refile, reregister, redeposit and rerecord where required) any and all further instruments required by law as reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. This Assignment shall be governed by the laws of Illinois, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, as shall be conferred by the laws of the several jurisdictions in which this Assignment shall be filed, recorded or deposited, or in which any of the Units shall be located, and any rights arising out of the marking of the Units.

10. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at its address set forth in Article 20 of the CSA, or at such other address as the Vendor shall designate.

11. The Vendor hereby agrees with the Lessor that (i) so long as no event of default, or any event which with lapse of time or notice or both would constitute such an event of default, under the CSA has occurred and is then continuing, the Vendor will not exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits

assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and (ii) subject to the terms of the Lease and the CSA, the Lessor may, so long as no event of default or event which with notice or lapse of time or both would constitute such an event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges, and remedies arising out of subparagraph (A) of the first paragraph of § 10 of the Lease; provided, however, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of subparagraph (B) of said § 10.

Each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, warranties, covenants, undertakings and agreements by Exchange National Bank of Chicago or for the purpose or with the intention of binding said Bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Assignment is executed and delivered by said Bank solely in the exercise of its powers expressly conferred upon it as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said Bank, except for wilful misconduct or gross negligence on the part of such Bank, or against the Beneficiary under the Trust Agreement, on account of any representation, warranty, covenant, undertaking or agreement herein of the Lessor or the Beneficiary, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

12. This Assignment may be executed in any number of counterparts, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Assignment is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or

dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

EXCHANGE NATIONAL BANK OF CHICAGO,
not in its individual capacity,
but solely as Trustee,

by

[Corporate Seal]

Attest:

LA SALLE NATIONAL BANK, as Agent,

by

[Corporate Seal]

Attest:

[Notarial Seal]

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, CANADIAN NATIONAL RAILWAY COMPANY (the "Lessee"), the Lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all Payments (as defined in the Lease Assignment) directly to La Salle National Bank, as Agent (the "Vendor"), the assignee named in the Lease Assignment, at 135 South LaSalle Street, Chicago, Illinois 60690, attention of Corporate Trust Department (or at such other address as may be furnished in writing to the Lessee by the Vendor);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Lease Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the State of Illinois and, for all purposes, shall be construed in accordance with the laws of said State.

CANADIAN NATIONAL RAILWAY COMPANY,

Approved
as to Form

Attorney

by

by

The foregoing Consent and Agreement is hereby
accepted as of the 1st day of October 1979.

LA SALLE NATIONAL BANK, as
Agent,

by

Assistant Vice President

Rec. #

11569-80

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1:00 PM

ICC

CONDITIONAL SALE AGREEMENT

Dated as of October 1, 1979

among

NORTH AMERICAN CAR CORPORATION
(Canadian Railcar Division),

NATIONAL STEEL CAR CORPORATION, LIMITED

and

EXCHANGE NATIONAL BANK OF CHICAGO, not in its
individual capacity but solely as Trustee

9.95% Conditional Sale Indebtedness due 2000

CONDITIONAL SALE AGREEMENT

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* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

CONDITIONAL SALE AGREEMENT dated as of October 1, 1979, among NORTH AMERICAN CAR CORPORATION (Canadian Railcar Division), a Delaware corporation ("Vendor" or "NAC" as more particularly set forth in Article 1 hereof), NATIONAL STEEL CAR CORPORATION, LIMITED, a Canadian corporation ("Builder"), and EXCHANGE NATIONAL BANK OF CHICAGO, not individually but solely in its capacity as Trustee ("Vendee"), under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with SECURITY PACIFIC EQUIPMENT LEASING, INC. ("Beneficiary").

The Builder agrees to construct, sell and deliver to NAC the railroad equipment described in Annex B hereto ("Equipment") and NAC agrees to purchase the Equipment from the Builder and conditionally sell the Equipment to the Vendee.

The Vendee is entering into a Lease of Railroad Equipment dated as of the date hereof with CANADIAN NATIONAL RAILWAY COMPANY ("Lessee") in substantially the form annexed hereto as Annex C ("Lease"), pursuant to which the Lessee will lease from the Vendee all the units of Equipment so purchased from NAC, or such lesser number of units as are delivered and accepted by the Vendee hereunder.

LA SALLE NATIONAL BANK ("Assignee" or "Vendor") is acting as agent for certain investors ("Investors") pursuant to the Participation Agreement dated as of the date hereof ("Participation Agreement"), among the Assignee, the Lessee, the Vendee and the Investors.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Vendee Purchase Price (as hereinafter defined) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Vendee Purchase Price shall be paid to NAC by

the Assignee pursuant to an Agreement and Assignment dated as of the date hereof among NAC, the Builder and the Assignee, as agent ("Assignment"). The parties hereto further contemplate that NAC shall pay to the Builder the NAC Purchase Price (as hereinafter defined) pursuant to the terms of Article 4 hereof.

The term "Vendor", whenever used in this Agreement, means, before any assignment of its rights hereunder, NAC, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment. The term "Builder", whenever used in this Agreement, means, both before and after any such assignment, the party hereto which has manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, certain of the rights, title, and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement dated as of the date hereof in the form of Annex D hereto ("Lease Assignment"), and the Lessee shall consent thereto pursuant to the Consent and Agreement in the form attached to Annex D ("Consent").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, the Builder shall construct at its plant the Equipment described in Annex B hereto, and will sell and deliver to NAC, NAC will purchase from the Builder and accept delivery of and pay for (as hereinafter provided) and sell and deliver to the Vendee, and the Vendee will purchase from NAC and accept delivery of and pay for, the Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in writing between the Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called "Specifications"). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all United States Department of Transportation and Interstate

Commerce Commission and Canadian Transport Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as then being applicable to each such unit of Equipment, and each such unit will be new railroad equipment.

ARTICLE 3. Inspection and Delivery. The Builder will deliver to NAC, and NAC will deliver to the Vendee, the units of the Equipment at the place or places specified in Annex B hereto (or if Annex B does not specify a place or places, at the place or places designated from time to time by the Vendee), freight and storage charges, if any, prepaid and included in the NAC Purchase Price (as herein-after defined), in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that no delivery of any unit of the Equipment to NAC or to the Vendee shall be made until this Agreement and the Lease have been filed pursuant to 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith thereafter given in The Canada Gazette pursuant to Section 86 of the Railway Act of Canada); and provided, further, that the Builder and NAC shall not be obligated to deliver any unit of Equipment hereunder subsequent to the commencement of any proceedings specified in clause (c) or (d) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, could constitute such an event of default. The Builder and NAC agree not to deliver any unit of Equipment hereunder (i) following receipt of written notice from the Vendee or the Assignee of the commencement of any such proceedings or the occurrence of any such event, as aforesaid and (ii) unless the Builder and NAC shall have been notified by the Assignee that the conditions contained in Paragraph 7 of the Participation Agreement have been met and the Builder and NAC shall have been notified by the Vendee that the conditions contained in Paragraph 8 of the Participation Agreement have been met or waived. Notwithstanding anything to the contrary in this Article 3, the Builder and NAC agree not to deliver any units unless, in advance of such delivery, they have received notification from the Agent that funds have been deposited by the Investors pursuant to the Participation Agreement and are then held by the Agent in an aggregate amount not less than 64% of the Purchase Price of the units which the Builder and NAC intend to deliver or have previously delivered but which have not been settled for hereunder. The parties hereto further agree that although all the Equipment need not be delivered by the Builder on the same date, any unit delivered by the Builder and NAC will be accepted simultaneously by the Vendee and NAC.

Any Equipment not delivered at the time of receipt by the Builder or NAC of the notice specified in the second sentence of the first paragraph of this Article 3 and any Equipment not delivered and accepted hereunder on or prior to December 30, 1980, shall be excluded from this Agreement, and NAC and the Vendee shall be relieved of their respective obligations hereunder to purchase and pay for such Equipment. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the parties hereto shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. Any Equipment so excluded or excluded pursuant to Article 4 hereof shall be purchased by NAC from the Builder pursuant to the terms of the purchase order from NAC to the Builder relating to the Equipment ("Purchase Order").

The respective obligations of the Builder and NAC as to the time of delivery set forth in Annex B is subject, however, to delays resulting from causes beyond the Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors. NAC's obligation hereunder to deliver the Equipment to the Owner Trustee is subject to the delivery of such Equipment by the Builder to NAC.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of NAC and the Vendee (who may be employees of the Lessee), and the Builder shall grant to such authorized inspectors reasonable access to its plant. The Builder agrees to inspect the materials used in the construction of the Equipment in accordance with the standard quality control practices of the Builder. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector for NAC and the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector shall execute and deliver to the Builder a certificate of acceptance (the "Certificate of Acceptance"), stating that such unit or units have been inspected and accepted on behalf of NAC and the

Vendee and are marked in accordance with Article 9 hereof; provided, however, that the Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof. NAC and the Vendee hereby appoint the Lessee (and any employee thereof designated by the Lessee) their agent for inspection and acceptance of the Equipment pursuant to this Article 3.

On delivery to and acceptance by NAC and the Vendee of each such unit hereunder at the place specified for delivery, the Builder and NAC shall have no further responsibility for, nor bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that delivery to and acceptance by either NAC or the Vendee shall not thereby relieve the Builder of its warranty referred to in Article 13 hereof.

ARTICLE 4. Purchase Price and Payment. The price or prices per unit of the Equipment to be paid by the Vendee to NAC are set forth in Annex B hereto (such price or prices being hereinafter called the "Vendee Purchase Price"). The base price or prices per unit of the Equipment to be paid by NAC to the Builder are as set forth in the Purchase Order. Such base price or prices are subject to such increase or decrease as may be agreed to by the Builder and NAC. The term "NAC Purchase Price" as used herein shall mean the base price or prices as so increased or decreased as set forth in the Builder's invoice or invoices delivered to NAC and, if the NAC Purchase Price is other than the base price or prices set forth in the Purchase Order, the Builder's invoice or invoices shall be accompanied by, or have endorsed thereon, the agreement or approval of NAC (such invoice or invoices being hereinafter called the "Builder's Invoice").

The Equipment shall be settled for in such number of groups of units of the Equipment delivered to and accepted by each of NAC and the Vendee as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a "Group"). The term "Closing Date" with respect to a Group shall mean such date not later than December 30, 1980 (such date being herein called the "Cut-Off Date"), occurring not more than five business days following presentation by NAC to the Vendee of NAC's invoice or invoices (hereinafter called NAC's Invoice) (with copies to the Lessee) and by the

Builder to the Vendee of the Certificate or Certificates of Acceptance for the Equipment and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to NAC, the Vendee and the Assignee at least four business days prior to the Closing Date designated therein. The term "business day" as used herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, or Chicago, Illinois, are authorized or obligated to remain closed.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby agrees to pay in immediately available funds to the Vendor at such place as the Vendor may designate, the Vendee Purchase Price of the Equipment, as follows:

(a) on the Closing Date with respect to each Group (i) an amount equal to 36% of the aggregate Vendee Purchase Price of such Group plus (ii) the amount, if any, by which (x) 64% of the Vendee Purchase Price of such Group, as set forth in NAC's Invoice therefor (said invoiced prices being herein called the "Invoiced Vendee Purchase Prices"), exceeds (y) the moneys paid by the Agent on such date pursuant to Section 4 of the Assignment from the Investors' funds then on deposit with the Agent; and

(b) in 38 semiannual installments, as hereinafter provided, an amount equal to the aggregate Vendee Purchase Price of such Group, less the aggregate amount paid or payable with respect thereto pursuant to subparagraph (a) of this paragraph.

NAC hereby acknowledges itself to be indebted to the Builder in the amount of, and hereby agrees to pay in full in immediately available funds to the Builder, on or before the Closing Date with respect to each Group, at such place as the Builder may designate, the NAC Purchase Price.

The portion of the Vendee Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (herein called the "CSA Indebtedness") shall be payable in 38 semiannual installments commencing 18 calendar months

after the Repayment Date (as defined in the Participation Agreement) and semiannually thereafter (each such date being hereinafter called a "Payment Date"). The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date in respect of which such CSA Indebtedness was incurred at the rate of 9.95% per annum, payable to the extent accrued on the Repayment Date, the first and second semiannual anniversaries of the Repayment Date and on each Payment Date thereafter. The installments of principal and interest payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto, and the aggregate of such installments of principal will completely amortize the CSA Indebtedness. The Vendee will furnish or cause to be furnished to the Vendor and the Lessee promptly after the Repayment Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of 12 30-day months except that interest payable on the Repayment Date shall be computed on an actual elapsed 365-day year basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid after the same shall have become due and payable pursuant to the terms hereof at the rate of 10.95% per annum.

All payments provided for in this Agreement, except payment to the Builder of the NAC Purchase Price, shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Payment of the NAC Purchase Price shall be made in such coin or currency of the Dominion of Canada as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof) subject to but not limiting the effect of Article 21 hereof, the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement or the performance of its obligations hereunder excluding only the obligations set forth in the proviso to the third paragraph of Article 12 hereof and the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 10 or any other provision of the Lease and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include (A) amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease or (B) amounts excluded from the definition of Payments

contained in Paragraph 1 of the Lease Assignment. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, in the event the Vendor shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment or the Vendee's interest in the Lease for the full unpaid Vendee Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Security Interest in the Equipment.

The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Vendee Purchase Price of the Equipment, together with interest and all other payments as herein provided, the security interest of the Vendor in the Equipment shall terminate and the Vendee shall have the absolute right to the possession of, title to and property in the Equipment without further transfer or action on the part of the Vendor. However, the Vendor, if so requested by the Vendee at that time, will (a) execute a quit claim bill or bills of sale for the Equipment releasing its interests therein to the Vendee or upon its order, free of all liens, interests and encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records such transfer and release and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for

failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor for collection or other charges and will be free of all Taxes (as defined in § 6 of the Lease) hereafter levied or imposed upon or in connection with or measured by, this Agreement or any sale, rental, use, payment, shipment, import, export, delivery or transfer of title under the terms hereof, all of which Taxes the the Vendee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. At the option of the Vendor, such payment of Taxes by the Vendee (including the filing of any returns, reports or other documents relating thereto) shall be made directly to the appropriate taxing authority. The Vendee will also pay promptly all Taxes which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Vendor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Taxes which might in any way affect the title of the Vendor or result in a lien upon such Unit; provided, however, that the Vendee shall be under no obligation to pay any Taxes so long as it is contesting in good faith and with due diligence and by appropriate legal proceedings such Taxes and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor hereunder. The Vendor may require the Vendee to give security to the satisfaction of the Vendor for the due payment or discharge of any such Taxes in case it shall be held to be valid. If any Taxes shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor on presentation of an invoice therefor.

In the event any reports with respect to Taxes are required to be made, the Vendee will either make such reports in such manner as to show the interests of the Vendor in such Units or notify the Vendor of such requirement and will make such reports in such manner as shall be satisfactory to the Vendor.

All of the obligations of the Vendee under this Article 6 shall survive and continue, notwithstanding payment in full of all amounts due under this Agreement, but only with respect to periods included in the term of this

Agreement.

ARTICLE 7. Maintenance; Casualty Occurrences. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition, ordinary wear and tear excepted, and eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads and/or the rules of any governmental agency or other organization with jurisdiction, if applicable.

In the event that any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, irreparably damaged or rendered unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days (each such occurrence being herein called a "Casualty Occurrence"), the Vendee shall, promptly after it shall have determined that such unit has suffered a Casualty Occurrence cause the Vendor to be fully informed in regard thereto. On the next succeeding Payment Date (or, in the event such Payment Date will occur within 15 days after such notification, on the following Payment Date) (such date being hereinafter called a "Casualty Payment Date") the Vendee shall pay to the Vendor a sum equal to the Casualty Value (as hereinafter defined in this Article) of such unit suffering a Casualty Occurrence as of the date on which such payment is made (regardless of the date on which the determination that the Unit has suffered a Casualty Occurrence is made) and shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) to prepay without penalty or premium, ratably in accordance with the unpaid balance of each installment, the CSA Indebtedness, and the Vendee will promptly furnish or cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Vendor may request.

Upon payment by the Vendee to the Vendor of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence, the security interest of the Vendor in such unit shall terminate and the Vendee shall have the absolute right to the possession of, title to and property in such unit without further transfer or action on the part of the

Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming the Vendee's right, title and interest in and to such unit, and the release of the Vendor's security interest in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

The Casualty Value of each unit of the Equipment suffering a Casualty Occurrence shall be deemed to be that portion of the Vendee Purchase Price thereof remaining unpaid on the Casualty Payment Date (taking into account payments of principal and interest paid on such date but without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit), plus interest accrued thereon but unpaid as of such date. For the purpose of this paragraph, each payment of the Vendee Purchase Price in respect of Equipment made pursuant to Article 4 hereof shall be deemed to be a payment on each unit of the Equipment in like proportion as the Vendee Purchase Price of such unit bears to the aggregate Vendee Purchase Price of the Equipment.

ARTICLE 8. Reports and Inspections. On or before April 1 in each year, commencing with the year 1981, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with the road number of the Lessee as set forth in Annex B hereto, or, in the case of Equipment not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Agreement to cover such Equipment, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION" or other appropriate words approved or designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's security interest in the Equipment and its rights under this Agreement. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which

may be removed, obliterated, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement and the Lease shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names, trademarks, or initials or other insignia customarily used by the Lessee or its affiliates and as set forth in the last paragraph of § 5 of the Lease.

ARTICLE 10. Compliance with Laws and Rules.

During the term of this Agreement, the Vendee will comply, and will cause every lessee of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessee's operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transport (Canada) and the United States Department of Transportation and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or modification of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by NAC to the Vendee, to the possession of the Equipment and the use thereof, but only

upon and subject to all the terms and conditions of this Agreement.

Subject to §§ 4 and 12 of the Lease, the parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder and will promptly discharge any such lien, charge or security interest which arises, but shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the title or interests of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or security interests claimed by any party from, through or under the Vendee or its successors or assigns, not arising out of the transactions contemplated hereby (but, to the extent that it receives funds sufficient for such purpose from the Owner, including

tax liens arising out of the receipt of the rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the security interest of the Vendor in the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify and save harmless the Vendor against any charge or claim made against the Vendor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, patent liabilities, penalties and interest) which the Vendor may incur in any manner by reason of entering into or of the performance of this Agreement or by reason of the ownership of any Unit, or which may arise in any manner out of or as the result of the use, operation, condition, purchase, ordering, acquisition, delivery, rejection, storage or return of any Unit under this Agreement. The Vendee further agrees to indemnify and save harmless the Vendor against any charge, claim, expense, loss or liability on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury to any person; provided, however, that the Vendee shall not be required to indemnify the Vendor under this paragraph for negligence on the part of the Vendor. The indemnities arising under this paragraph shall survive payment of all other obligations under this Agreement or the termination of this Agreement. Anything herein to the contrary notwithstanding, the Vendee shall not be obligated to indemnify under this paragraph in respect of any charge, claim, expense, loss or liability attributable to a Unit which, and to an event occurring after such Unit, shall have been assembled, delivered, stored and transported to the Vendor pursuant to Articles 15 and 16 hereof or after this Agreement with respect to such Unit has otherwise terminated; provided further that such charge, claim, expense, loss or liability does not arise as a result of mechanical defects of such Units which existed at the time such Unit was so returned or this Agreement with respect to such Unit terminated.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations

hereunder in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

The Builder represents and warrants to NAC, the Vendee and the Assignee that it is not entering into this Agreement, or entering into any assignment of this Agreement, directly or indirectly, in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it or NAC, the Vendee, the Lessee or any Investor is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

The Builder represents and warrants to NAC, the Vendee and the Assignee that, at the time of delivery and acceptance of each unit of the Equipment under this Agreement, NAC will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

The Builder represents and warrants to NAC, the Vendee and the Lessee that at the time of delivery and acceptance of each unit of Equipment under this Agreement such Unit will constitute "new section 38 property" as defined in the United States Internal Revenue Code of 1954, as amended.

NAC represents and warrants that it is not entering into this Agreement, or any other transaction contemplated hereby, directly or indirectly, in connection with any arrangement or understanding in any way involving any employee benefit plan or related trust (other than a governmental plan) within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA").

NAC represents and warrants to the Vendee, the Lessee and the Assignee that, (i) at the time of delivery and acceptance of each unit of the Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the security interest of the Vendor under this Agreement and the rights of the Lessee under the Lease, (ii) at the time of delivery to the Lessee and the Vendee of any unit of Equipment, such unit will not have been used by any person so as to preclude "the original use of such property" within the meaning of Sections 48(b)2 and 167(c)(2) of the Internal Revenue Code of 1954, as amended, from commencing with the Vendee and (iii) at the

time of delivery to the Vendee of any unit of Equipment, no depreciation or other tax benefits will have been claimed by any person with respect thereto.

NAC represents and warrants to the Vendee and the Beneficiary that as of the date of the delivery and acceptance of each Unit under the CSA, each such Unit will have a minimum estimated useful life of at least 32.5 years from such date and an estimated residual value as of the end of the fifth year following the expiration of the 20-year basic term of the Lease (without including in such value any increase or decrease for inflation or deflation during such period and after subtracting the cost, if any, to the Beneficiary for removal and delivery of such Unit at the end of such 25-year period) of at least twenty percent (20%) of the Vendee Purchase Price. If NAC shall breach the foregoing representation and warranty with resulting adverse tax consequences to the Beneficiary, NAC shall pay the Beneficiary an amount which on an after tax basis, together with all rentals or other payments received, will enable the Beneficiary to obtain the same net after tax rate of return as if no breach of the foregoing representation and warranty had occurred. In the event the Internal Revenue Service shall notify the Beneficiary of a proposed disallowance or adjustment for which NAC may be liable hereunder, the Beneficiary shall forthwith notify NAC and NAC shall have the right to contest the proposed disallowance or adjustment at its sole cost and expense.

The agreement of the parties relating to the Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Item 3 of Annex A hereto.

NAC MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATIONS OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE VENDEE HEREUNDER, AND NAC MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE VENDEE OR OTHERWISE).

ARTICLE 14. Assignments. The Vendee agrees that it will not transfer the right to possession of any unit of the Equipment, or sell, assign or otherwise dispose of any of its rights under this Agreement or the Lease without the prior written consent of the Vendor.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve the Builder or NAC from, any of the obligations of the Builder to construct and deliver the Equipment to NAC or of NAC to deliver the Equipment to the Vendee in accordance herewith or to respond to their respective warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its obligations to NAC, or NAC of its obligations to the Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that the rights of the Assignee to the entire unpaid indebtedness in respect of the Vendee Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever arising out of any breach of any obligation of NAC or the Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee

or the Lessee by NAC or the Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against NAC or the Builder, as the case may be.

ARTICLE 15. Defaults. In the event that any one or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 10 business days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) any proceedings shall be commenced by or against the Lessee by way of a scheme of arrangement under the Railway Act, R.S.C. 1970, c.R-2; or

(d) any other proceeding shall be commenced by or against the Beneficiary, the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee under the Lease or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee under this Agreement or of the Lessee under the Lease and the Consent or of the Beneficiary under the Trust Agreement

shall not have been and shall not continue to have been duly assumed in writing, by the trustee in such proceedings in accordance with the provisions of 11 U.S.C. § 1168, if applicable, or any successor provision, as the same may hereafter be amended, or pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Vendee, or the Lessee, or the Beneficiary or for their respective property in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee, the Beneficiary and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the provisions of the last paragraph of § 4 of the Lease, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid CSA Indebtedness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of the CSA Indebtedness and such interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Articles 4 and 21 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event which has come to its attention which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee, the Beneficiary and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. At any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law. Notwithstanding anything to the contrary contained in this Article 16, the Vendor's right to terminate the Lease and deprive the Lessee of possession and use of the Equipment is subject to the last paragraph of § 4 of the Lease.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 60 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event the security interest of the Vendor in the Equipment shall terminate and the Vendee

shall have the absolute right to the possession of, title to and property in the Equipment; provided further that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee, the Beneficiary and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, the security interest of the Vendor in the Equipment shall terminate and the Vendee shall have the absolute right to the possession of, title to and property in the Equipment. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such

place or places as the Vendor may specify), at such time or times as the Vendor may specify in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than 10 days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 offerees have been solicited in writing to submit bids), it shall be subject to the rights of the Lessee and the Vendee to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder. From and after the date of any such sale, the Vendee shall pay to the Vendor an amount equal to the interest rate on the unpaid CSA Indebtedness with respect to any such unit which shall not have been assembled, as hereinabove provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly

granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement, except such portion as relates to the sale of the Equipment by the Builder to NAC, shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (notice of such deposit to be forthwith thereafter given in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish or cause to be furnished to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, the exhibits thereto and the Purchase Order, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor, the Vendee and the Builder with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor, the Vendee and, if such variation or modification shall adversely affect its interests hereunder, the Builder.

ARTICLE 20. Notice. Any notice hereunder to any

of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first-class mail, postage prepaid, at the following addresses:

(a) to the Vendee, at 130 South LaSalle Street, Chicago, Illinois 60690, attention of Michael Goodman, Esq.,

(b) to the Assignee at 135 South LaSalle Street, Chicago, Illinois 60690, attention of Corporate Trust Department,

(c) to the Lessee, at 935 LaGauchetiere Street West, Montreal, Quebec, Canada H3C 3NA, attention of Treasurer,

(d) to the Builder, at the address specified in Item 1 of Annex A hereto,

(e) to NAC, at 222 South Riverside Plaza, Chicago, Illinois 60606, attention of Vice President-Law,

(f) to the Beneficiary, at One Embarcadero Center San Francisco, California 94111, attention of Manager, Leveraged Lease Department,

(g) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto or of the Beneficiary, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second and eighth paragraphs of Article 16 and under Articles 3, 6, 7 (other than the second and third sentences of the second paragraph thereof to the extent that certificates or payment schedules are required to be prepared and furnished therein), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof) and 13 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of the Vendee are made and intended not as personal representations, warranties, covenants, undertakings and agreements by Exchange National Bank of Chicago, or for the purpose or with the intention of binding said bank personally, but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, subject to the limitations of Article 4, and this Agreement is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct by the bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiary on account of this Agreement or on account of any representation, warranty, covenant, undertaking or agreement of the Vendee or the Beneficiary, either expressed or implied, except for their respective obligations under the proviso to the last paragraph of Article 12 hereof and under subparagraph (a) of the third paragraph of Article 4 hereof; all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor.

The Vendee agrees that it will not enter into any amendment to or modification of the Trust Agreement except as provided in Article VIII thereof.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided,

however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited, or in which any unit of the Equipment shall be located, and any rights arising out of the markings of the units of Equipment.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to the Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

NORTH AMERICAN CAR CORPORATION
(Canadian Railcar Division),

by _____

[Corporate Seal]

Attest: _____

NATIONAL STEEL CAR CORPORATION,
LIMITED,

by W. L. Lohr

VICE - PRESIDENT - FINANCE

[Corporate Seal]

Attest: W. L. Lohr

EXCHANGE NATIONAL BANK OF CHICAGO,
not in its individual capacity,
but solely as Trustee,

by

[Corporate Seal]

Attest:

STATE OF ILLINOIS,)
COUNTY OF COOK,) ss.:

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of NORTH AMERICAN CAR CORPORATION (Canadian Railcar Division), that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Notary Public

My Commission expires

PROVINCE OF ONTARIO,)
) ss.:
JUDICIAL DISTRICT OF)
HAMILTON-WENTWORTH,)

On this 7th of February 1980, before me personally appeared R. W. COOKE, to me personally known, who, being by me duly sworn, says that he is a V.P. of NATIONAL STEEL CAR CORPORATION, LIMITED, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Commissioner for Oaths

My Commission expires

ALLAN GEORGE BEACH, a Commissioner,
etc., in and for the Province of Ontario, for
**Campbell, Godfrey & Lewtas, Barristers,
Student-At-Law.**
Expires July 19th, 1982.

STATE OF ILLINOIS,)) ss.:
COUNTY OF COOK,)

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of EXCHANGE NATIONAL BANK OF CHICAGO, that one of the seals affixed to the foregoing instrument is the seal of said national association, that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

[Notarial Seal]

Notary Public

My Commission expires

SCHEDULE I

Allocation Schedule of Each
\$1,000,000 of 9.95% CSA Indebtedness

<u>Payment Number</u>	<u>Beginning Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Debt Service</u>	<u>Ending Principal</u>
		*			
1	\$1,000,000.00	\$ 49,750.00	\$.00	\$ 49,750.00	\$1,000,000.00
2	1,000,000.00	49,750.00	.00	49,750.00	1,000,000.00
3	1,000,000.00	49,750.00	2,306.17	52,056.17	997,693.83
4	997,693.83	49,635.27	13,752.23	63,387.50	983,941.60
5	983,941.60	48,951.09	14,436.41	63,387.50	969,505.19
6	969,505.19	48,232.88	15,154.62	63,387.50	954,350.57
7	954,350.57	47,478.94	15,908.56	63,387.50	938,442.01
8	938,442.01	46,687.49	16,700.01	63,387.50	921,742.00
9	921,742.00	45,856.66	17,530.84	63,387.50	904,211.16
10	904,211.16	44,984.51	18,402.99	63,387.50	885,808.17
11	885,808.17	44,068.96	19,318.54	63,387.50	866,489.63
12	866,489.63	43,107.86	20,279.64	63,387.50	846,209.99
13	846,209.99	42,098.95	21,288.55	63,387.50	824,921.44
14	824,921.44	41,039.84	22,347.66	63,387.50	802,573.78
15	802,573.78	39,928.05	23,459.45	63,387.50	779,114.33
16	779,114.33	38,760.94	24,626.56	63,387.50	754,487.77
17	754,487.77	37,535.77	25,851.73	63,387.50	728,636.04
18	728,636.04	36,249.64	27,137.86	63,387.50	701,498.18
19	701,498.18	34,899.53	28,487.97	63,387.50	673,010.21
20	673,010.21	33,482.26	29,905.24	63,387.50	643,104.97
21	643,104.97	31,994.47	28,554.81	60,549.28	614,550.16
22	614,550.16	30,573.87	29,196.45	59,770.32	585,353.71
23	585,353.71	29,121.35	25,354.94	54,476.29	559,998.77
24	559,998.77	27,859.94	25,855.82	53,715.76	534,142.95
25	534,142.95	26,573.61	21,931.48	48,505.09	512,211.47
26	512,211.47	25,482.52	22,349.07	47,831.59	489,862.40
27	489,862.40	24,370.65	20,449.17	44,819.82	469,413.23
28	469,413.23	23,353.31	20,884.35	44,237.66	448,528.88
29	448,528.88	22,314.31	21,059.93	43,374.24	427,468.95
30	427,468.95	21,266.58	21,563.65	42,830.23	405,905.30
31	405,905.30	20,193.79	21,757.11	41,950.90	384,148.19
32	384,148.19	19,111.37	22,277.82	41,389.19	361,870.37
33	361,870.37	18,003.05	22,654.02	40,657.07	339,216.35
34	339,216.35	16,876.01	23,200.75	40,076.76	316,015.60
35	316,015.60	15,721.78	41,391.15	57,112.93	274,624.45
36	274,624.45	13,662.57	49,724.93	63,387.50	224,899.52
37	224,899.52	11,188.75	52,198.75	63,387.50	172,700.77
38	172,700.77	8,591.86	54,795.64	63,387.50	117,905.13
39	117,905.13	5,865.78	57,521.72	63,387.50	60,383.41
40	60,383.41	3,004.07	60,383.41	63,387.48	-.0
		<u>\$1,267,378.28</u>	<u>\$1,000,000.00</u>	<u>\$2,267,378.28</u>	

* Interim interest only is payable on the Repayment Date (as defined in the Participation Agreement).

Annex A

to

Conditional Sale Agreement

- Item 1: National Steel Car Corporation, Limited, a Canadian corporation, at P. O. Box 450, Hamilton, Ontario, L8N3J4.
- Item 2: The Equipment shall be settled for in not more than two Groups of units of the Equipment delivered to and accepted by NAC and the Vendee unless a greater number shall be agreed to by the parties hereto.
- Item 3: (a) The Builder warrants to NAC, the Lessee and the Vendee that the Equipment will be built in accordance with the Specifications and the standards and requirements set forth in Article 2 of the CSA to which this Annex is attached (the "Agreement") and warrants the Equipment will be free from defects in material (except as to specialties incorporated therein and workmanship with respect thereto specified by the Lessee or NAC and not manufactured by the Builder) and workmanship under normal use and service. The Builder's liability under this Item 3 is limited to making good at its plant any part or parts of any unit of Equipment which shall, within one year after the delivery of such unit of Equipment to the Vendee, be returned to the Builder with transportation charges prepaid and which examination by the Builder shall disclose to its satisfaction to have been thus defective. THE BUILDER MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE. The rights of NAC, the Lessee and the Vendee under the foregoing warranty shall be their sole and exclusive remedy and the Builder will have no liability for lost profits or for indirect, incidental, consequential or commercial losses. This warranty is expressly in lieu of all other warranties expressed or implied on the part of the Builder, except for its obligations and liabilities under Articles 2, 3, 4 and 13 of this Agreement and Item 3(b) below. The Builder neither assumes nor authorizes any person to assume for it any other warranty liability in connection with the construction and delivery of the Equipment.

The Builder further agrees that NAC, the Lessee and the Vendee as well as the Builder may to the extent permitted by law take and prosecute claims against vendors of specialties purchased by the Builder for incorporation in the Equipment manufactured by the Builder for the breach of any warranty by the vendors with respect to such specialties. The Builder, NAC, the Lessee and the Vendee each agrees to notify the others prior to the assertion of any claim by them against any such vendors of specialties. If the Builder determines that it has no interest in any such claim asserted by the Vendee, the Builder agrees to assign to the Lessee, NAC and the Vendee, solely for the purpose of making and prosecuting any such claim, all the rights which the Builder has against such vendor for the breach of warranty or other representation respecting the Equipment manufactured by it. The word "specialties" as used herein shall be deemed to include articles, materials, systems, formulae and processes.

The Builder further agrees with NAC, the Lessee and the Vendee that neither the inspections provided for in Article 3 of this Agreement, nor any examination, nor the acceptance of any units of its Equipment as provided in said Article 3 shall be deemed a waiver or a modification by NAC or the Vendee of any of their rights under this Item 3(a).

(b) Except in case of designs, processes or combinations specified by the Lessee or by NAC and not developed or purported to be developed by the Builder, and articles and materials specified by the Lessee or by NAC and not manufactured by the Builder, the Builder agrees to indemnify, protect and hold harmless the Lessee, the Vendee, the Beneficiary and NAC from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Lessee, NAC, the Beneficiary and the Vendee because of the use in or about the construction or operation of the Equipment, or any unit thereof, of any design, process, combination, article or material infringing or claimed to infringe on any patent or other right. The Lessee, as a condition to its being a third party beneficiary hereof, or NAC, as the case may

be, will indemnify, protect and hold harmless the Builder from and against any and all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Builder because of the use in or about the construction or operation of the Equipment, or any unit thereof, of any design, process or combination specified by the Lessee or by NAC and not developed or purported to be developed by the Builder, or article or material specified by the Lessee or by NAC and not manufactured by the Builder, which infringes or is claimed to infringe on any patent or other right. The Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, transfer, assign, set over and deliver to the Lessee or to NAC, as the case may be, every claim, right and cause of action which the Builder has or hereafter shall have against the originator or seller or sellers of any design, process, combination, article or material specified by the Lessee or by NAC and used by the Builder in or about the construction or operation of the Equipment, or any unit thereof, on the ground that any such design, process, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right, and the Builder further agrees to execute and deliver to the Lessee or to NAC, as the case may be, all and every such further assurances as may be reasonably requested by them more fully to effectuate the assignment, transfer and delivery of every such claim, right and cause of action. The Lessee, as a condition to its being a third-party beneficiary hereof, or NAC, as the case may be, will give notice to the Builder of any claim known to the Lessee on the basis of which liability may be charged against the Builder hereunder.

- Item 4: The Vendee Purchase Price referred to in Article 4 of this Agreement is U.S. \$41,445 per unit of Equipment and U.S. \$12,433,500 for 300 units of Equipment.

Annex B

to

Conditional Sale Agreement

<u>Type</u>	<u>AAR Mechanical Designation:</u>	<u>Builder's Specifications</u>	<u>Builder's Plant</u>	<u>Lessee's Road Numbers</u>		<u>Quantity</u>	<u>Unit Vendee Purchase Price</u>		<u>Total Vendee Purchase Price</u>	<u>Estimated Time and Place of Delivery</u>
				<u>(Both Inclusive)</u>	<u>Inclusive)</u>		<u>U.S.</u>	<u>\$</u>		
4,550 cu. ft. covered hopper cars	IO	M-1803-B	Hamilton Ontario, Canada	300	QNIS 376000 through QNIS 376299	300	U.S.	\$41,445	U.S. \$12,433,500	March 10, through March 31, 1980, at Hamilton, Ontario, or at such other location as may be designated by the Builder

ANNEX C
to the
Conditional Sale Agreement

LEASE OF RAILROAD EQUIPMENT

Dated as of October 1, 1979,

Between

CANADIAN NATIONAL RAILWAY COMPANY,

Lessee,

and

EXCHANGE NATIONAL BANK OF CHICAGO, not in its individual
capacity, but solely as Trustee,

Lessor.

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* This Table of Contents has been included in this document for convenience only and does not form a part of, or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of October 1, 1979, between CANADIAN NATIONAL RAILWAY COMPANY, a Canadian corporation ("Lessee"), and EXCHANGE NATIONAL BANK OF CHICAGO, a national banking association, not individually but solely in its capacity as Trustee ("Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Beneficiary").

The Lessor is entering into a conditional sale agreement dated as of the date hereof (the "CSA") with National Steel Car Corporation, Limited ("National"), and North American Car Corporation (Canadian Railcar Division) ("NAC"), wherein National has agreed to manufacture, sell and deliver to NAC, and NAC has agreed to sell and deliver to the Lessor, the units of railroad equipment described in Schedule A hereto, such units being herein sometimes called "Equipment".

NAC is assigning its interest in the CSA to LA SALLE NATIONAL BANK, acting as agent (said bank, as so acting, being hereinafter together with its successors and assigns called "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor and the parties named in Schedule A thereto.

The Lessee desires to lease such number of units of the Equipment as are delivered, accepted and settled for under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided.

The Lessor will assign this Lease, for security purposes, to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") dated as of the date hereof, and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (the "Consent") dated the date hereof.

The Lessee will agree to indemnify the Lessor pursuant to an indemnity agreement (the "Indemnity Agreement"), substantially in the form attached as Exhibit D to the Participation Agreement, between the Lessee and the Lessor,

against certain losses, liabilities or expenses incurred or suffered by the Lessor.

NOW, THEREFORE, in consideration of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the CSA, or against National, NAC or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental, or other payment (except as provided in the fourth paragraph of § 6 and the sixth paragraph of § 9 hereof), required to be made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Vendor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a Unit to NAC and the Lessor under the CSA shall be deemed to be a delivery hereunder to the Lessee at the point or points at which such Unit is delivered to NAC and the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee or agent of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of NAC and the Lessor under the CSA and itself hereunder and execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance") in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee, NAC and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The Lessee hereby represents and warrants to the Lessor that no Unit shall be put into service earlier than the date of delivery to and acceptance by the Lessee as agent for NAC and the Lessor hereunder.

§ 3. Rentals. The Lessee agrees to pay to the Lessor as rental for each Unit one interim rental payment on the Repayment Date (as defined in the Participation Agreement) and 40 consecutive semiannual payments payable on the corresponding day in each of the next succeeding 40 consecutive semiannual periods (each of such 40 dates being hereinafter called a "Rental Payment Date"). The interim rental payment shall be in an amount equal to 0.0225378% of the Vendee Purchase Price for each Unit subject to the Lease for each day elapsed from and including the Closing Date (as defined in the CSA) with respect to such Unit to but not including the Repayment Date. The 40 semiannual payments shall each be in an amount equal to 4.0568% of the Vendee Purchase Price of such Unit.

All rental payments payable hereunder shall be in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

If any of the Rental Payment Dates referred to above is not a business day, the rental payment otherwise payable on such date shall then be payable on the next succeeding business day. The term "business day" as used

herein means any calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, and Chicago, Illinois, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments due the Lessor provided for in this Lease to the Vendor, for the account of the Lessor, in care of the Vendor, with instructions to the Vendor (a) first to apply such payments to satisfy the obligations of the Lessor under the CSA and (b) second, so long as no event of default or event which, with the lapse of time and/or demand provided for in the CSA could constitute an event of default under such CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor or to the order of the Lessor in immediately available funds at such place as the Lessor shall specify in writing; provided that any indemnity payable to the Lessor as trustee and in its individual capacity or to the Beneficiary pursuant to § 9 hereof and taxes and indemnities payable or reimbursed to the Beneficiary or the Lessor under § 6 hereof shall be paid by check of the Lessee directly to the party entitled to receive the same.

The Lessee agrees to make each payment provided for in this § 3 by check in immediately available funds at or prior to 10:00 a.m. Chicago, Illinois, time at the office of the Vendor on the date due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 14 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. Except for obligations of the Lessee hereunder which are specifically stated to terminate at a fixed time, the obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9 and 13 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained in this Lease, so long as (i) the Lessee shall not be in default under this Lease, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Owner Trustee is entitled to apply the Payments (as defined in the Consent) as therein provided, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliated corporation upon its or their lines of railroad

or upon lines of railroad over which the Lessee or such other corporation has trackage or other operating rights or over which railroad equipment of the Lessee or any such other corporation is regularly operated pursuant to contract, and also to permit the use of the Units upon other railroads in the usual interchange of traffic (if such interchange is customary at the time), but only upon and subject to all the terms and conditions of this Lease and without in any way relieving the Lessee from any obligation or liability hereunder. Subject to the foregoing, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or in the case of any Unit not there listed such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words, "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", or other appropriate words designated or approved by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the Vendor under the CSA. The Lessee will not place or permit any such Unit to be placed in operation or exercise any control or dominion over the same until such words shall have been so marked on both sides thereof and will replace or cause to be replaced promptly any such name and words which may be removed, defaced, obliterated or destroyed. The Lessee will not change or permit to be changed the identifying number of any Unit unless and until a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may permit the Equipment to be lettered with the

names, trademarks, initials or other insignias customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of its rights to use the Equipment under this Lease, and the Equipment may be lettered in an appropriate manner for convenience of identification of the interest of the Lessee therein.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any Canadian Federal or provincial taxes or any United States Federal, state or local taxes (other than any United States Federal income taxes [or Canadian Federal income taxes in respect of which the Lessor receives credit against its United States Federal income tax liability] payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all Canadian or United States local, provincial, state or city income taxes or franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Owner has its principal place of business without apportionment to any other state or city, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, duties or license fees, and any charges, fines or penalties in connection therewith (all such expenses, taxes, withholding taxes, assessments, duties, license fees, charges, fines and penalties being hereinafter called "Taxes"), hereafter levied or imposed upon or in connection with or measured by, this Lease or any sale, rental, use, payment, shipment, import, export, delivery or transfer of title under the terms hereof, all of which Taxes the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein; provided, however, that the Lessee shall not be responsible to the Lessor for payment of Taxes arising solely as a result of the sale of any Unit (other than in connection with an Event of Default) or solely as the result of a sale of any Unit after the termination of this Lease (other than pursuant to an Event of Default). At the option of the Lessor, such payment of Taxes by the Lessee (including the filing of any returns, reports or other documents relating thereto) shall be made directly to the appropriate taxing authority. The Lessee will also pay promptly all Taxes which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Taxes

which might in any way affect the title of the Lessor or result in a lien upon such Unit; provided, however, that the Lessee shall be under no obligation to pay any Taxes so long as it is contesting in good faith and with due diligence and by appropriate legal proceedings such Taxes and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the property or rights of the Lessor hereunder. The Lessor may require the Lessee to give security to the satisfaction of the Lessor for the due payment or discharge of any such Taxes in case it shall be held to be valid. If any Taxes shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor.

In the event any reports with respect to Taxes are required to be made, the Lessee will either make such reports in such manner as to show the interests of the Lessor in such Units or notify the Lessor of such requirement and will make such reports in such manner as shall be satisfactory to the Lessor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Taxes pursuant to this § 6, such liability shall continue, notwithstanding the expiration of this Lease, until all such Taxes are paid or reimbursed by the Lessee.

It is acknowledged that under current law the rentals payable by the Lessee hereunder will be subject to Canadian withholding tax to the extent that such rentals are in respect of use of the Units in Canada. Pursuant to the first paragraph of this § 6, the Lessee will be obligated to indemnify the Lessor against such withholding taxes so that the rentals actually received by the Lessor after deduction of withholding tax shall be in the amounts provided in § 3 hereof.

The Lessee shall furnish promptly upon request, such information and data as is normally available to the Lessee and which the Lessor or the Vendor reasonably may require to permit compliance with the requirement of any taxing authority.

In the event that the Lessor shall become obligated to make any payment to the Vendor or otherwise pursuant to any corresponding provision of the CSA (other than the proviso to the third paragraph of Article 12 thereof) not covered by the first paragraph of this § 6, the Lessee shall

pay such additional amounts (which shall also be deemed Taxes hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

§ 7. Payment for Casualty Occurrences; Maintenance; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit (including any parts installed on or replacements made to any Unit and considered an accession thereto as hereinbelow provided) in good operating order, repair and condition, ordinary wear and tear excepted, and eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads and/or the rules of any governmental agency or other organization with jurisdiction, if applicable.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed, irreparably damaged, or permanently rendered unfit for use from any cause whatsoever, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days (each such occurrence being hereinafter called a "Casualty Occurrence") during the term of this Lease, or until such Unit shall have been returned in the manner provided in § 11 or 13 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the Rental Payment Date next succeeding the delivery of such notice (or, in the event such Rental Payment Date will occur within 15 days after delivery of notice, on the following Rental Payment Date, or, in the event the term of this Lease has already expired or will expire within 15 days after delivery of such notice, on a date within 15 days of such delivery) (such date being hereinafter called a "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of such Casualty Payment Date in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The Casualty Value of each Unit as of the Casualty Payment Date for each such Unit shall be the percentage of

the Vendee Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date with respect to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence after the expiration of the original or extended term of this Lease and before such Unit shall have been returned in the manner provided in § 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be 28.2051% of the Vendee Purchase Price of such Unit (unless such Casualty Occurrence occurs after the term of this Lease has been extended pursuant to § 14 hereof, in which case the amount of such Casualty Value shall be as agreed upon). Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof (including the issuance of bills of sale for and on behalf of the Lessor), before or after the expiration of this Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor and is not in default hereunder, the Lessee shall be entitled to the net proceeds of such disposition to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor in accordance with the terms of this Lease and during any storage period, at its own expense, cause to be carried and maintained insurance covering physical damage to the Units and insurance covering public liability, the latter in the amount of at least \$20,000,000 (with up to \$10,000,000 deductible), against the risks and in the amounts customarily insured against by the Lessee in respect of similar equipment owned or leased by it. At the request of the Lessor, the Lessee shall provide the Lessor with a certificate of an officer of the Lessee to the effect that such insurance is in effect.

Notwithstanding anything to the contrary in the immediately preceding paragraph, the Lessee may self-insure with respect to physical damage to the Units.

§ 8. Reports. On or before April 1 in each year, commencing with the calendar year 1981, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by § 5 hereof have been preserved or replaced. The Lessor shall have the right by its agents to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN, COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE NOR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, NOR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE), it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against National or NAC, including, but not limited to, any claims and rights arising under the provisions of the CSA. The Lessor shall

have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving the Units may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transport of Canada, the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units and in the event that such laws or rules require any alteration, replacement, modification or addition of or to any part of any Unit, the Lessee will fully conform therewith at its own expense; provided, however, that the Lessee may, in good faith, contest, with due diligence by appropriate legal proceedings, the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of independent counsel, adversely affect the property or rights of the Lessor or the Vendor under this Lease.

The Lessee and its affiliates, at their own cost and expense, may from time to time make such alterations, modifications and additions (including, without limitation, any special devices or assemblies at any time attached or

affixed to any Unit, the cost of which is not included in the Vendee Purchase Price of such Unit and which are not required for the operation or use of such Unit by the Department of Transport of Canada, the Interstate Commerce Commission, the United States Department of Transportation or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units or in accordance with their original purpose and shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease; provided, however, that no such Addition shall be made if it is not readily removable from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which the Unit would have had immediately prior to such time had such Addition not been made.

Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and the Vendor as their respective interests may appear in the Unit itself in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for any such original Part, (ii) such Part is required to be incorporated in or installed as part of the Unit pursuant to the terms of the second or third paragraph of this § 9, or (iii) notwithstanding the provisions of the third paragraph of this § 9, such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default under § 10 hereof (or other event which after lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as

a result of such alterations or additions shall vest in the Lessee. The term Part for the purposes of this paragraph and § 13 hereof shall be defined to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessor and the Lessee understand that, as a condition of issuing a favorable ruling as to the tax consequences of a leveraged lease transaction, the Internal Revenue Service may require that the lessor and the lessee agree in the lease agreement that the lessor will take into income the value of certain additions, modifications and improvements made by the lessee. Consequently, if the Lessee or any member of the Lessee Group (as defined in Rev. Proc. 75-21) makes any addition, modification or improvement in or to any Unit pursuant to the foregoing paragraphs which is not permitted to be made pursuant to the provisions of Section 3 of Rev. Proc. 79-48, the Lessee and the Lessor agree that the trust created by the Trust Agreement (and thus the Beneficiary) shall include as income for United States Federal income tax purposes the fair market value of such addition, modification or improvement at the time such addition, modification or improvement is made, unless the Internal Revenue Service issues a ruling satisfactory to the Lessor without, in the opinion of counsel to the Lessor, requiring that the foregoing agreement be operative. If the foregoing agreement is operative and if the applicable procedures of the Internal Revenue Service are subsequently changed to permit such additions, modifications or improvements without such inclusion in income of the trust created by the Trust Agreement and the Beneficiary or to provide for other, more favorable tax treatment, then the Lessor and the Lessee agree to join in requesting a ruling from the Internal Revenue Service regarding such change and if, in the opinion of counsel to the Lessor, such a subsequent ruling permits the amendment of this Lease to reflect such change without adversely affecting the ruling previously issued by the Internal Revenue Service with respect to this transaction or preventing the issuance of such a ruling, the Lessor and the Lessee agree that the trust created by the Trust Agreement and the Beneficiary shall no longer be required to include as income for United States Federal income tax purposes the fair market value of such additions, modifications or improvements.

The Lessee agrees to indemnify and save harmless the Lessor against any charge or claim made against the Lessor, and against any expense, loss or liability (including but not limited to counsel fees and expenses, patent, trademark and copyright liabilities, penalties and interest, but excluding any items that Tiger Financial Services, Inc., a Delaware corporation ("Tiger"), has agreed to pay pursuant to Paragraph 12 of the Participation Agreement) which the Lessor may incur in any manner by reason of entering into or of the performance of this Lease or by reason of the ownership of any Unit, or which may arise in any manner out of or as the result of the use, operation, condition, purchase, ordering, construction, acquisition, delivery, rejection, storage or return of any Unit under this Lease including, but not limited to, any latent or other defects whether discoverable or not by the Lessor, the Beneficiary or the Lessee, any claims based on strict liability in tort or any violation or alleged violation of any provision of this Lease. The Lessee further agrees to indemnify and save harmless the Lessor against any charge, claim, expense, loss or liability on account of any accident in connection with the operation, use, condition, possession or storage of any Unit resulting in damage to property or injury or death to any person; provided, however, that the Lessee shall not be required to indemnify the Lessor under this paragraph for negligence on the part of the Lessor. The indemnities arising under this paragraph shall survive payment of all other obligations under this Lease or the termination of this Lease. Anything herein to the contrary notwithstanding, the Lessee shall not be obligated to indemnify under this paragraph in respect of any charge, claim, expense, loss or liability attributable to a Unit which, and to an event occurring after such Unit, shall have been assembled, delivered, stored and transported to the Lessor pursuant to §§ 11 or 13 hereof or after this Lease with respect to such Unit has otherwise terminated. The Lessee shall be obligated under this § 9, irrespective of whether the Lessor shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Lessor may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against the Lessor in connection with any claim, indemnified against hereunder, the Lessee may, and upon the request of the Lessor will, at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and, in the

event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred by the Lessor in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this § 9, the Lessee will pay the Lessor such amount. The Lessee and the Lessor each agrees to give the other promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing, it shall be subrogated to any right of the Lessor in respect of the matters against which indemnity has been given. Any payments received by the Lessor from any person (except the Lessee) as a result of any matter with respect to which the Lessor has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or the Participation Agreement or a guarantee of the residual value or useful life of the Equipment.

The Lessee agrees at its expense to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any U.S. or Canadian, Federal, provincial, state or other regulatory authority by reason of the interest of the Lessor or the Vendor in the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein called an "Event of Default") shall occur:

(a) default shall be made in payment of any amount provided in § 3 or 7 hereof, and such default shall continue for 10 days after such payment is due;

(b) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Participation Agreement, the Consent or the Indemnity Agreement, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

(c) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

(d) any proceedings shall be commenced by or against the Lessee by way of a scheme of arrangement under the Railway Act, R.S.C. 1970, c.R-2 or under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and under the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or judgment or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier; or

(e) any representation or warranty made by the Lessee in the Participation Agreement or in any document or certificate furnished by the Lessee to the Lessor, the Beneficiary or the Vendor in connection herewith or

therewith or pursuant hereto or thereto shall be incorrect when made in any material respect adverse to such parties or any thereof and such condition, which caused such misrepresentation or breach of warranty, shall continue unremedied for a period of 30 days after the Lessee becomes aware of such condition;

then, in any such case, the Lessor, at its option, may,

(A) proceed by appropriate court action or actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(B) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum with respect to each Unit which represents the excess of (1) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this

Lease as to such Unit over (2) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6.5 percent per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, together with any damages and expenses, including reasonable attorneys' fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of the rental; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (B) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale (in addition to the amounts payable pursuant to §§ 6 and 9 hereof), as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an

Event of Default under clause (a), (b), (c) or (e) of this § 10, the Lessor may, upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition to the extent provided in Article 15(f) of the CSA, and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 10.95% per annum, shall be payable to the Lessor by the Lessee upon demand.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies, and a waiver of any such right on one occasion shall not constitute a waiver of such right as to any other occasion and shall not be effective unless in writing signed by the Lessor.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor and shall give prompt telegraphic and written notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit returned to the Lessor pursuant to this § 11 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear and modifications, if any, permitted by this Lease excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads and/or the rules of any governmental agency or other organization with jurisdiction, if applicable. For the purpose of delivering possession of any Unit or Units to the Lessor as above

required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner cause such Units to be transported to such location as shall reasonably be designated by the Lessor and there assembled,

(b) furnish and arrange for the Lessor to store such Units on any lines of railroad or premises of the Lessee approved by the Lessor until such Units have been sold, leased or otherwise disposed of by the Lessor, and

(c) cause the Units to be moved to such interchange point or points as shall be designated by the Lessor upon any sale, lease or other disposal of all or any of the Units.

The assembling, delivery, storage and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same. All per diem amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .022538% of the Vendee's Purchase Price of such Unit exceeds the actual earnings received by the Lessee on such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Equipment pursuant to the first sentence of this paragraph.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of

any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. The Lessor agrees that it will not assign any of its rights under this Lease without the prior written consent of the Lessee, except as provided in Article VII of the Trust Agreement and the Lessee shall be under no obligation to any assignee of the Lessor other than the Vendor except under written notice of such assignment from the Lessor.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent, (iii) the Owner Trustee is entitled to apply the Payments (as defined in the Consent) as therein provided and (iv) the Lessee shall have fully complied with the provisions of the fourth paragraph of this § 12, the Lessee shall be entitled to the possession and use of the Units and, without the Lessor's consent, to sublease the Units to, or to permit their use by, a user incorporated in Canada or in the United States of America (or any state thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in Canada or in the United States of America (or any state thereof or the District of Columbia), or over which Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or runthrough service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that (1) the Lessee shall not sublease or permit the sublease or use of any Unit outside the United States of America or Canada and (2) that the Lessee shall not sublease any Unit for a period of more than one year without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. No such sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Any such sublease shall be subject to the rights and remedies of the Lessor under this Lease in respect of the Units covered by such sublease upon the occurrence of an Event of Default hereunder.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance resulting from claims against the Lessor not related to the ownership or leasing of the Units and except any lien created by the CSA) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Lessor or the Lessee therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to discharge the same does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to (a) any railroad company (i) incorporated under the laws of Canada and (ii) with capital and surplus aggregating at least that of the Lessee immediately after such assignment or transfer (which shall have duly assumed the obligations of the Lessee hereunder pursuant to appropriate instruments satisfactory in form and substance to the Lessor, the Vendor and their respective counsel) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition, be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor hereunder which shall be and remain those of a principal and not a surety.

§ 13. Return of Units upon Expiration of Term.

As soon as practicable on or after the expiration of the original or any extended term of this Lease, the Lessee will (unless the Units are sold to the Lessee or shall have suffered a Casualty Occurrence), at its own cost and expense, at the request of the Lessor, deliver possession of any Units

to the Lessor upon such storage tracks of the Lessee as the Lessor may reasonably designate and permit the Lessor to store such Units on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90-day period, to a final destination at any reasonable place on the lines of railroad operated by the Lessee or to any interchange for shipment to a connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; the movement and storage of the Units to be at the expense and risk of the Lessee during such 90-day period. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of gross negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a judgment, order or decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Each Unit returned to the Lessor pursuant to this article shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted and (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, the Canadian Transport Commission and/or the rules of any governmental agency or other organization with jurisdiction, if applicable.

§ 14. Renewal Option and Right of First Refusal.
The parties hereto contemplate that at the end of the original term of this Lease, the Lessor will hold the Units for re-lease. Prior to the delivery of the Units pursuant to § 2 hereof, the Lessor will enter into an agreement ("Option Agreement") with Tiger pursuant to which the Lessor will grant to Tiger the option to lease all but not fewer than all of the Units for one five-year term commencing at the end of the original term of this Lease on such terms as are set forth in the Option Agreement. (It is understood that Tiger has granted the Lessee the right, if Tiger exercises said

option, to sublease such Units at the then "Fair Market Rental" [as such term is defined in this § 14] for such Units for such five-year term). Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, if Tiger shall fail to exercise its option to lease the Units at the end of the original term of this Lease, the Lessee, by written notice delivered to the Lessor not less than six months nor more than 12 months prior to the end of the original term of this Lease, may elect to extend the term of this Lease in respect of all but not fewer than all of the Units then covered by this Lease, for a five-year period commencing on the scheduled expiration of the original term of this Lease. Such extension shall be on the same terms and conditions as are contained in this Lease, except as to the amount of rentals, which shall be at a Fair Market Rental, payable semiannually in arrears, and except as to applicable Casualty Values, which shall be as agreed upon between the Lessor and the Lessee at the time of such extension, or as shall be determined by appraisal as set forth below.

Fair Market Rental shall be determined on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental but there shall be excluded any rental value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined as provided in the preceding sentences on the basis of the term and other terms and conditions of the lease being considered.

If, after 35 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease, as provided in the first paragraph of this § 14, the Lessee and the Lessor are unable to agree upon a determination of Fair Market Rental, such rental shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 20 business days after such notice is given, each party shall appoint an independent appraiser within

25 business days after such notice is given, and the two appraisers so appointed shall within 30 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 30 business days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term within 90 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provisions for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne equally by the Lessee and the Lessor.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties within a period of one year after the expiration of the original or any extended term of this Lease or the expiration of the lease between the Lessor and Tiger pursuant to the Option Agreement, the Lessee shall be given 45 days' prior written notice of such intention prior to the expiration of such period. In the event that during such one-year period the Lessor shall receive a bona fide offer from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such Offer, the Lessor shall give prompt written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are

proposed to be sold or under the other terms and conditions of payment offered by the other party. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 20 days of receipt of notice of the proposed sale from the Lessor specifying a date of purchase, which date shall not be later than 30 days after the date of delivery of such notice by the Lessee to the Lessor.

§ 15. Recording. The Lease and the CSA shall be filed with the Interstate Commerce Commission and deposited in the office of the Registrar General of Canada prior to the delivery and acceptance hereunder of any Unit.

The Lessee will promptly furnish to the Vendor and the Lessor evidence of any filing, registering, depositing or recording of this Lease and the CSA for which the Lessee is responsible under this Lease or the CSA.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay an amount equal to interest at a rate equal to 10.95% per annum.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when delivered to such other party or deposited in the mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at 130 South LaSalle Street,
Chicago, Illinois 60690, Attention of Michael A. Goodman,
Vice President;

if to the Lessee, at 935 LaGauchetiere Street
West, Montreal, Quebec, Canada H3C 3NA, Attention of
Treasurer;

or addressed to any party at such other address as such party shall hereafter furnish to the other parties in writing. Any certificate, document or report required to be furnished by any party hereto to the other parties shall be delivered to the address set forth above for such party.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such juris-

diction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto, except the Participation Agreement and the exhibits thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee and consented to in writing by the Vendor.

§ 19. Definitions. Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Vendor and its successors and assigns) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party except as aforesaid.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, recorded or deposited, or in which any Unit of the Equipment shall be located, and any rights arising out of the markings of the Units of Equipment.

The Lessee agrees that any legal action, suit or proceeding arising out of or relating to its Documents may be instituted in any state or Federal court in the State of Illinois, United States of America and hereby submits to the jurisdiction of such courts. The Lessee waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such jurisdiction. The submission by the Lessee to such jurisdiction shall not limit or be construed to limit the right of the Lessor to commence proceedings against the Lessee in any other jurisdiction. The Lessee hereby designates and appoints Messrs. Sidley & Austin, as its authorized agent to accept and acknowledge on its behalf service of any and all

process which may be served at such agent's office at One First National Plaza, Chicago, Illinois 60603, and written notice of said service to the Lessee air mailed or delivered to it at its address specified herein shall be deemed in every respect service of process upon the Lessee in any such action, suit or proceeding and shall be taken and held to be valid personal service upon the Lessee. Said designation and appointment shall be irrevocable until this Lease has been terminated.

§ 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 22. Immunities; No Recourse. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of the Lessor, are made and intended not as personal representations, warranties, covenants, undertakings and agreements by Exchange National Bank of Chicago, or for the purpose or with the intention of binding said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement and this Lease is executed and delivered by said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of gross negligence or wilful misconduct on the part of such bank, no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Beneficiary on account of this Lease or on account of any representation, warranty, covenant, undertaking or agreement of the Lessor or the Beneficiary herein, other than pursuant to the penultimate sentence of the sixth paragraph of § 9 hereof, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Lessee, the Vendor and by all persons claiming by, through or under either of them.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CANADIAN NATIONAL RAILWAY
COMPANY,

by

by

EXCHANGE NATIONAL BANK OF
CHICAGO, not in its individual
capacity, but solely as Trustee,

by

Approved as to Form
Attorney

[Corporate Seal]

Attest:

PROVINCE OF QUEBEC,)
) ss.:
 CITY OF MONTREAL,)

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of CANADIAN NATIONAL RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

My Commission Expires

Commissioner for Oaths, in and
 for the Province of Quebec

STATE OF ILLINOIS,)
) ss.:
 COUNTY OF COOK,)

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of EXCHANGE NATIONAL BANK OF CHICAGO, that one of the seals affixed to the foregoing instrument is the seal of said national association, that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

[Notarial Seal]

My Commission Expires

Notary Public

Lease of Railroad Equipment

SCHEDULE A

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Road Numbers (Both Inclusive)</u>
National Steel--4,550 cu. ft. covered hopper cars	300	CNIS 376000 through CNIS 376299

Lease of Railroad Equipment

SCHEDULE B

CASUALTY VALUES

<u>Rental Payment</u> <u>Date No.</u>	<u>Percentage</u>	<u>Rental Payment</u> <u>Date No.</u>	<u>Percentage</u>
1	107.5275%	21	77.9237%
2	111.0039	22	75.9282
3	110.5952	23	73.6692
4	113.1440	24	71.4837
5	112.4556	25	69.1282
6	114.2781	26	66.7954
7	106.6586	27	64.3328
8	107.7954	28	61.8710
9	106.6585	29	59.2889
10	107.1585	30	56.6943
11	99.0968	31	53.9868
12	99.0132	32	51.2567
13	97.4491	33	48.4171
14	96.8401	34	45.5466
15	88.3761	35	42.5677
16	87.3056	36	39.6217
17	85.3756	37	36.6751
18	83.9139	38	33.8014
19	81.8476	39	30.9556
20	80.0886	40	28.2051

ANNEX D
to
Conditional Sale
Agreement

ASSIGNMENT OF LEASE AND AGREEMENT

Dated as of October 1, 1979

between

EXCHANGE NATIONAL BANK OF CHICAGO, not in its
individual capacity, but solely as Trustee

and

LA SALLE NATIONAL BANK,
as Agent

ASSIGNMENT OF LEASE AND AGREEMENT dated as of October 1, 1979 ("Assignment"), by and between EXCHANGE NATIONAL BANK OF CHICAGO not individually but solely in its capacity as Owner Trustee (the "Lessor" or the "Vendee") under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Beneficiary"), and LA SALLE NATIONAL BANK, as Agent ("Vendor") under a Participation Agreement dated as of the date hereof.

The Vendee is entering into a conditional sale agreement dated as of the date hereof (the "CSA") with North American Car Corporation (Canadian Railcar Division) ("NAC") and National Steel Car Corporation, Limited ("National"), wherein National has agreed to manufacture, sell and deliver to NAC, and NAC has agreed to sell and deliver to the Vendee, units of railroad equipment described in Annex B thereto, such units being herein sometimes called "Units".

The Lessor and CANADIAN NATIONAL RAILWAY COMPANY ("Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof ("Lease"), providing for the leasing by the Lessor to the Lessee of the Units.

In order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as that term is defined in the CSA), the Lessor agrees to assign to the Vendor, for security purposes, certain of the Lessor's rights in, to and under the Lease;

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the CSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease, including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to

the provisions of the Lease whether as rent, casualty payment, liquidated damages, or otherwise (such moneys being hereinafter called "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease; provided, however, that the term Payments as used herein shall not be deemed to include payments made by the Lessee to the Lessor pursuant to §§ 6 and 9 of the Lease (except indemnification payments intended to satisfy the obligations of the Lessor to indemnify the Vendor pursuant to Articles 6 and 13 of the CSA or the obligation of the Lessee to indemnify Exchange National Bank of Chicago in its capacity as assignee of the Lease and except to the extent that the Lessor is obligated to pay and discharge claims, liens, charges or security interests under Paragraph 6 of this Assignment). In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default shall have occurred and be continuing under the CSA, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor, by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only

against, the Lessor or persons other than the Vendor. The Lessor shall appear in and defend every action in connection with its obligations or duties under the Lease at its sole cost.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by the Lessor. Without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease, and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive and compound any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and all taxes, claims, liens, charges or security interests (other than created by the CSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the CSA or the Lease (but including tax liens arising out of the receipt of the rentals and other payments under the Lease and any other proceeds

from the Units) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals or other payments unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect such interests of the Vendor.

7. The Lessor will from time to time do and perform any other act and will execute, acknowledge, deliver and file, register, deposit and record (and will refile, reregister, redeposit and rerecord where required) any and all further instruments required by law as reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. This Assignment shall be governed by the laws of Illinois, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, as shall be conferred by the laws of the several jurisdictions in which this Assignment shall be filed, recorded or deposited, or in which any of the Units shall be located, and any rights arising out of the marking of the Units.

10. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at its address set forth in Article 20 of the CSA, or at such other address as the Vendor shall designate.

11. The Vendor hereby agrees with the Lessor that (i) so long as no event of default, or any event which with lapse of time or notice or both would constitute such an event of default, under the CSA has occurred and is then continuing, the Vendor will not exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits

assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and (ii) subject to the terms of the Lease and the CSA, the Lessor may, so long as no event of default or event which with notice or lapse of time or both would constitute such an event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges, and remedies arising out of subparagraph (A) of the first paragraph of § 10 of the Lease; provided, however, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of subparagraph (B) of said § 10.

Each and all of the representations, warranties, covenants, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, warranties, covenants, undertakings and agreements by Exchange National Bank of Chicago or for the purpose or with the intention of binding said Bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Assignment is executed and delivered by said Bank solely in the exercise of its powers expressly conferred upon it as trustee under the Trust Agreement, and no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against said Bank, except for wilful misconduct or gross negligence on the part of such Bank, or against the Beneficiary under the Trust Agreement, on account of any representation, warranty, covenant, undertaking or agreement herein of the Lessor or the Beneficiary, either expressed or implied, all such personal liability, if any, being expressly waived and released by the Vendor and by all persons claiming by, through or under the Vendor; provided, however, that the Vendor or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

12. This Assignment may be executed in any number of counterparts, but the counterpart delivered to the Vendor shall be deemed to be the original counterpart. Although for convenience this Assignment is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or

dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

EXCHANGE NATIONAL BANK OF CHICAGO,
not in its individual capacity,
but solely as Trustee,

by

[Corporate Seal]

Attest:

LA SALLE NATIONAL BANK, as Agent,

by

[Corporate Seal]

Attest:

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of LA SALLE NATIONAL BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said national association, that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

Notary Public

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a of EXCHANGE NATIONAL BANK OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said national association, that said instrument was signed and sealed on behalf of said national association by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national association.

Notary Public

My Commission expires

CONSENT AND AGREEMENT

The undersigned, CANADIAN NATIONAL RAILWAY COMPANY (the "Lessee"), the Lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all Payments (as defined in the Lease Assignment) directly to La Salle National Bank, as Agent (the "Vendor"), the assignee named in the Lease Assignment, at 135 South LaSalle Street, Chicago, Illinois 60690, attention of Corporate Trust Department (or at such other address as may be furnished in writing to the Lessee by the Vendor);

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Lease Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the acceptance at the foot hereof, shall be deemed to be a contract under the laws of the State of Illinois and, for all purposes, shall be construed in accordance with the laws of said State.

CANADIAN NATIONAL RAILWAY COMPANY,

Approved
as to Form

Attorney

by _____

by _____

The foregoing Consent and Agreement is hereby
accepted as of the 1st day of October 1979.

LA SALLE NATIONAL BANK, as
Agent,

by

Assistant Vice President